Consolidated Statements of Income

[thousands except per share amounts]	1987	1986	1985
Net Sales	$3,527,941	$3,142,696	$2,387,110
Cost of Goods Sold, Occupancy and Buying Costs	2,535,166	2,180,869	1,668,267
Gross Income	992,775	961,827	718,843
General, Administrative and Store Operating Expenses	583,903	523,598	442,631
Operating Income	408,872	438,229	276,212
Interest Expense	(40,324)	(45,900)	(41,230)
Other Income, net	9,638	2,451	4,335
Income Before Income Taxes	378,188	394,780	239,317
Provision for Income Taxes	143,000	167,000	94,000
Net Income	$ 235,188	$ 227,780	$ 145,317
Net Income Per Share	$1.25	$1.21	$.80

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated Balance Sheets

[thousands]

	January 30, 1988	January 31, 1987
Assets		
Current Assets		
Cash and Equivalents	$ 47,953	$ 3,256
Accounts Receivable	55,060	72,878
Inventories	353,693	361,489
Other	47,906	31,608
Total Current Assets	544,612	469,231
Property and Equipment	889,155	734,727
Investment in Finance Subsidiary	77,487	105,503
Other Assets	76,669	67,628
Total Assets	$1,587,923	$1,377,089
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts Payable	$ 149,974	$ 169,112
Accrued Expenses	131,602	131,829
Income Taxes	48,740	33,963
Total Current Liabilities	330,316	334,904
Long-Term Debt	343,000	70,420
Deferred Income Taxes	174,209	169,414
Other Long-Term Liabilities	11,227	20,809
Shareholders' Equity		
Common Stock	94,837	94,398
Paid-in Capital	205,328	199,424
Retained Earnings	677,232	487,720
Unrealized Loss on Marketable Equity Securities	(8,219)	—
	969,178	781,542
Less Treasury Stock, at Cost	(240,007)	—
Total Shareholders' Equity	729,171	781,542
Total Liabilities and Shareholders' Equity	$1,587,923	$1,377,089

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

[thousands]

	Common Stock						
	Shares Outstanding	Par Value	Paid-in Capital	Retained Earnings	Unrealized Loss on Marketable Equity Securities	Treasury Stock at Cost	Total Shareholders' Equity
Balance, February 2, 1985	59,614	$29,807	$ 22,466	$223,130	$ —	$ —	$275,403
Net income	—	—	—	145,317	—	—	145,317
Cash dividends	—	—	—	(19,118)	—	—	(19,118)
Two-for-one stock split	59,732	29,866	—	(29,866)	—	—	—
Exercise of stock options and other	488	244	2,229	—	—	—	2,473
Balance, February 1, 1986	119,834	59,917	24,695	319,463	—	—	404,075
Net income	—	—	—	227,780	—	—	227,780
Cash dividends	—	—	—	(29,507)	—	—	(29,507)
Three-for-two stock split	60,032	30,016	—	(30,016)	—	—	—
Conversion of debentures	8,312	4,156	170,844	—	—	—	175,000
Exercise of stock options and other	618	309	3,885	—	—	—	4,194
Balance, January 31, 1987	188,796	94,398	199,424	487,720	—	—	781,542
Net income	—	—	—	235,188	—	—	235,188
Cash dividends	—	—	—	(44,724)	—	—	(44,724)
Purchase of treasury stock	(10,828)	—	—	—	—	(240,007)	(240,007)
Exercise of stock options and other	879	439	5,904	(952)	(8,219)	—	(2,828)
Balance, January 30, 1988	178,847	$94,837	$205,328	$677,232	$(8,219)	$(240,007)	$729,171

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated Statements of Changes in Financial Position

[thousands]	1987	1986	1985
Cash was provided from:			
Operations	$235,188	$227,780	$145,317
Net income			
Add expenses not requiring working capital:			
Depreciation and amortization	109,353	97,393	80,128
Deferred income taxes and other	6,268	36,920	(3,030)
Working capital from operations	350,809	362,093	222,415
Cash flow additions (requirements) resulting from:			
Inventories	7,796	(41,184)	(51,342)
Payables	(19,138)	(15,256)	62,567
Income taxes	14,777	47,346	11,082
Other current assets and liabilities	(38,707)	7,033	4,528
Cash provided from operations	315,537	360,032	249,250
Other sources of cash:			
Increase in long-term debt	272,580	—	521,590
Conversion of debt to stock—$175,000 in 1986	—	—	—
Reduction in investment in finance subsidiary	29,917	—	—
Other net, including disposal of assets	(5,016)	22,859	9,317
Total cash provided	613,018	382,891	780,157
Cash was used for:			
Investment in property and equipment	283,590	196,487	180,269
Purchase of treasury stock	240,007	—	—
Reduction of long-term debt	—	143,324	196,398
Cash dividends	44,724	29,507	19,118
Investment in finance subsidiaries	—	23,265	47,456
Net cash to acquire subsidiaries and retire debt	—	—	331,462
Total cash used	568,321	392,583	774,703
Increase (Decrease) in Cash and Equivalents	44,697	(9,692)	5,454
Cash and Equivalents, beginning of year	3,256	12,948	7,494
Cash and Equivalents, end of year	$ 47,953	$ 3,256	$ 12,948

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

1987

The Limited, Inc. Annual Report



I believe 1987 may have been the most important year in the history of The Limited. I know it was the most difficult.

Sales slowed in the third and fourth quarters. Margins and profits declined. The Limited's historic rate of growth slowed. Sales for 1987 increased by $385 million, from $3.14 billion to $3.53 billion. Net income rose from $227.8 million to $235.2 million. Earnings per share increased from $1.21 to $1.25.

During these twelve months a major fashion cycle matured and reached saturation. Demand for women's apparel slackened. A stock market collapse of historic proportions occurred during the same period. Consumer uncertainty and a lack of confidence in the economy compounded the problems which the fashion industry was already facing.

But this was not just a difficult year; it was a turning point for the industry as a whole. A decade of steady growth in retail sales ended, with 1987 marking the start of an era of change. I believe that the cycle we have just entered will serve to quickly widen the gap between the innovators and imitators.

For a merchant led company this will be a time of opportunity. We have always believed that the fashion business *is* a business of change. We expect to improve the quality of our earnings, to gain market share, and to emerge a stronger business. Our leaders and our associates are determined to become a great retailing company.

Although Limited Stores did not match the level of last year's record performance, Verna Gibson and her associates once again achieved results which placed them ahead of their competition. Michael Weiss and his Express associates were able to significantly improve earnings this past year despite disappointing fall sales. The associates of Victoria's Secret, led by Howard Gross, achieved outstanding results: margins and pre-tax earnings established new records; sixty-nine stores were added, which represents a 60% increase in selling space. Lane Bryant's results were well below their 1986 performance, but I believe that the changes which

> "... this will be a time of opportunity... We expect to improve the quality of our earnings, to gain market share, and to emerge a stronger business."

have been implemented are having a positive impact and will result in significant improvements. Lerner did not perform up to expectations this fall, yet I'm convinced that the new merchandise mix is responsive to our customers' needs and will bring the division up to company standards of profitability.

Our long term view of the business is aggressive. We will continue to meet new challenges and to build upon the accomplishments of 1987. These include:

▪ Record sales ▪ Record earnings ▪ The addition of 1.5 million square feet of selling space ▪ The opening of 448 new stores ▪ The acquisition of Abercrombie & Fitch, a nationally recognized company with twenty-five upscale specialty stores and a catalogue division ▪ The sponsoring of our first "Let's Make It In America" trade fair for over 500 U.S. suppliers—successfully increasing our domestic source of supply ▪ An increase in our associate stock participation to 50%—understood to be the highest of any U.S. public company ▪ The listing on the Tokyo Stock Exchange.



I gratefully acknowledge the confidence and support of our shareholders and the extraordinary contribution of our associates.

This annual report focuses, as it should, on our Presidents. They are the people who in 1987 faced the challenges of leading their divisions into the future. They are the leaders who can best express their vision and the determination of our associates. And it is The Limited associates who will bear out my belief that these twelve months will be looked back on as one of the most important years in the history of The Limited.

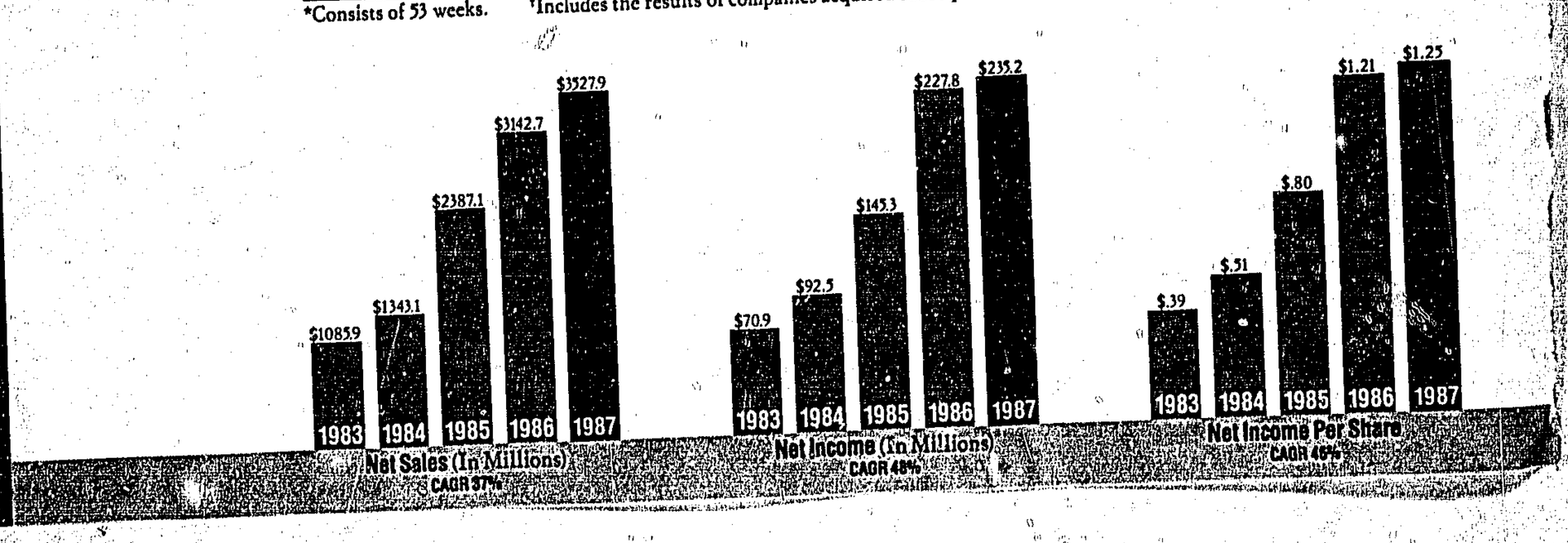
Leslie H. Wexner, Chairman
March 21, 1988

Financial Summary

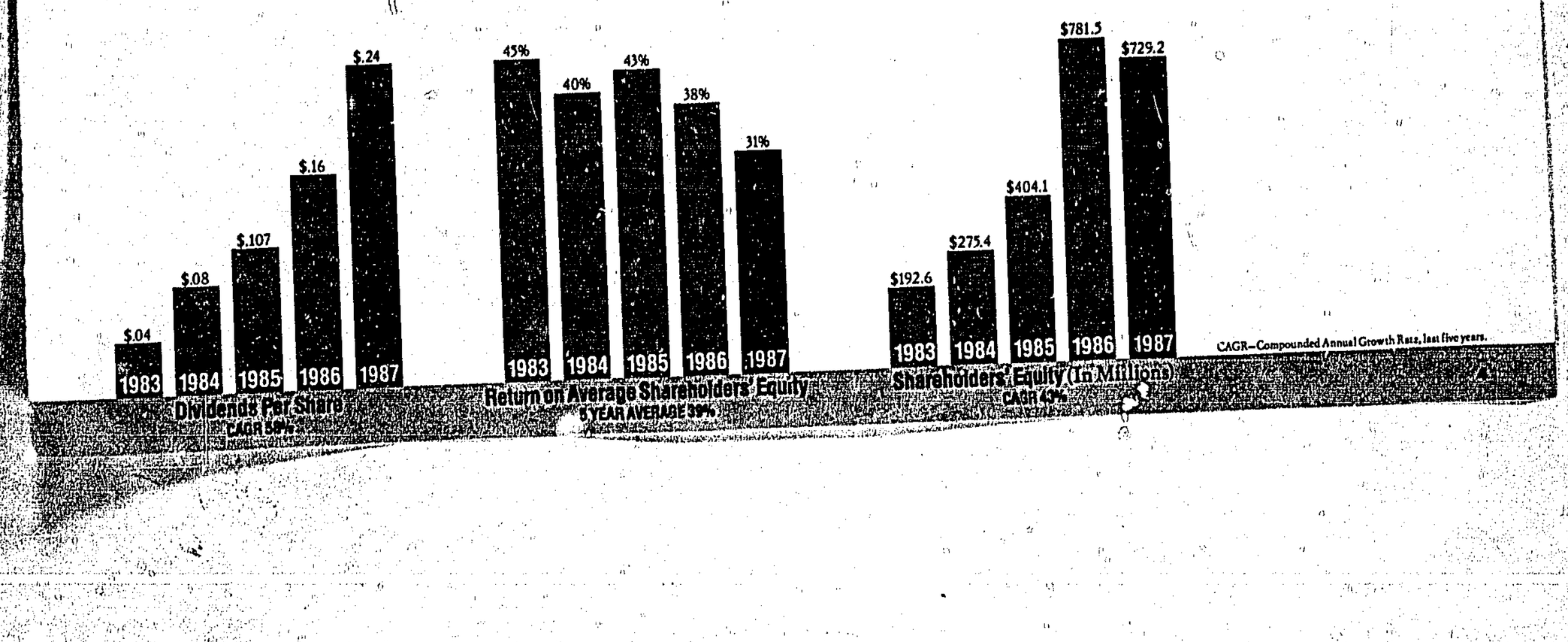
[thousands except per share amounts]

Fiscal Year	1987	1986	1985†	1984*
Summary of Operations				
Net Sales	$3,527,941	$3,142,696	$2,387,110	$1,343,134
Gross Income	992,775	961,827	718,843	404,321
Operating Income	408,872	438,229	276,212	173,102
Income before Income Taxes	378,188	394,780	239,317	157,495
Net Income	$ 235,188	$ 227,780	$ 145,317	$ 92,495
Per Share Results				
Net Income	$1.25	$1.21	$ .80	$ .51
Dividends	$ .24	$ .16	$.107	$ .08
Book Value	$4.08	$4.14	$2.25	$1.54
Weighted Average Number of Shares Outstanding	188,313	188,430	182,819	180,631
Other Financial Information				
Net Income as a Percentage of Sales	6.7%	7.2%	6.1%	6.9%
Working Capital	$ 214,296	$ 134,327	$ 62,906	$ 67,260
Current Ratio	1.6	1.4	1.2	1.4
Total Assets	$1,587,923	$1,377,089	$1,211,510	$ 567,152
Long-Term Debt	$ 343,000	$ 70,420	$ 388,744	$ 60,139
Shareholders' Equity	$ 729,171	$ 781,542	$ 404,075	$ 275,403
Return on Average Shareholders' Equity	31%	38%	43%	40%
Total Number of Stores Open at End of Year	3,095	2,682	2,353	1,412

*Consists of 53 weeks. †Includes the results of companies acquired subsequent to the date of acquisition.



1983	1982†	1981	1980	1979*	1978	1977
$1,085,890	$721,394	$364,900	$295,016	$252,693	$218,876	$175,373
327,616	209,374	109,246	81,919	62,749	53,757	58,863
135,377	70,943	38,386	23,191	12,549	10,843	25,346
134,939	60,592	38,486	20,817	8,588	7,695	24,817
$ 70,939	$ 33,592	$ 22,386	$ 13,142	$ 7,063	$ 5,920	$ 13,217
$ .39	$ .19	$ .14	$ .08	$ .05	$ .04	$ .09
$ .04	$.024	$.013	$.009	$.007	$.006	$.004
$1.08	$ .70	$ .50	$ .37	$ .29	$ .25	$ .21
180,186	175,506	166,521	163,068	160,176	159,108	156,864
6.5%	4.7%	6.1%	4.5%	2.8%	2.7%	7.5%
$ 40,131	$ 22,887	$ 23,728	$ 18,756	$ 14,041	$ 17,329	$ 18,631
1.3	1.2	1.7	1.7	1.7	1.9	2.2
$ 377,396	$320,392	$142,658	$116,551	$102,921	$ 98,176	$ 71,405
$ 21,763	$ 74,411	$ 16,571	$ 23,765	$ 30,909	$ 35,940	$ 21,305
$ 192,576	$122,578	$ 83,150	$ 60,093	$ 46,726	$ 39,597	$ 32,769
45%	33%	31%	25%	16%	16%	51%
937	825	430	352	309	258	188





The Limited's original specialty store has introduced the three fastest-growing sportswear brands in America: Forenza, Outback Red and Moods by Krizia. It is the most profitable company of its kind in the United States.

While this was still the case in 1987, profits failed to meet the record levels attained the previous year. Responding to changing market realities, Limited Stores has launched a number of new initiatives that will position the division for the nineties. During the year, the company opened the first of its superstores, a new format large enough to introduce major new merchandise lines. Between 20 and 25 superstores will open in 1988.

Number of stores:	Average size:	Total square footage:
711	3,700 square feet	2,633,000 square feet



Verna Gibson, President

"Our associates are determined to prove the naysayers wrong again. It happened in '85, the first time we were seen as a mature business that had peaked. Back then, we decided that we were going to make this a billion dollar company ... and we did it. This time, our goal is to become a two-billion-dollar company... and we've set our sights on making that three billion before too long. We're already on our way, with the new superstores and the new brands that we're launching in them: clothing for kids, lingerie and a strong career assortment for women who work. We made that first goal a reality by ignoring the skeptics and focusing instead on meeting our customers' needs. And that's how we'll do it again."

Limited Stores



Express, whose Compagnie Internationale Limited Express brands account for more than 80 percent of sales, offers clothing for the young, spirited customen In 1987, Express was established firmly as a national presence, represented in every major market.

The new men's business, which grew directly out of customer demand, was successfully launched during the yean Express for Men, which conforms to the fashion-forward Express format, is being developed aggressively. The new men's brand was offered in 16 stores by the end of 1987; that number will grow to 60 by 1988 year-end.

Selling space for the company will increase by 55 percent during the same period.

Number of stores:	Average size:	Total square footage:
348	2,700 square feet	936,000 square feet



"Growing a successful company and starting a new business can be very exciting: Doing both *at once* is electrifying! The launch of Express for Men has infused the whole division with a hungry, entrepreneurial spirit. We'll open up more stores than ever before in 1988, and we'll make the men's business bigger after one year than the whole of Express was after four. We're going to add immeasurably to the experience of shopping in our environments because the mixed stores will be more than the sum of their parts. And *that's* going to add to our bottom line."

Michael Weiss, President

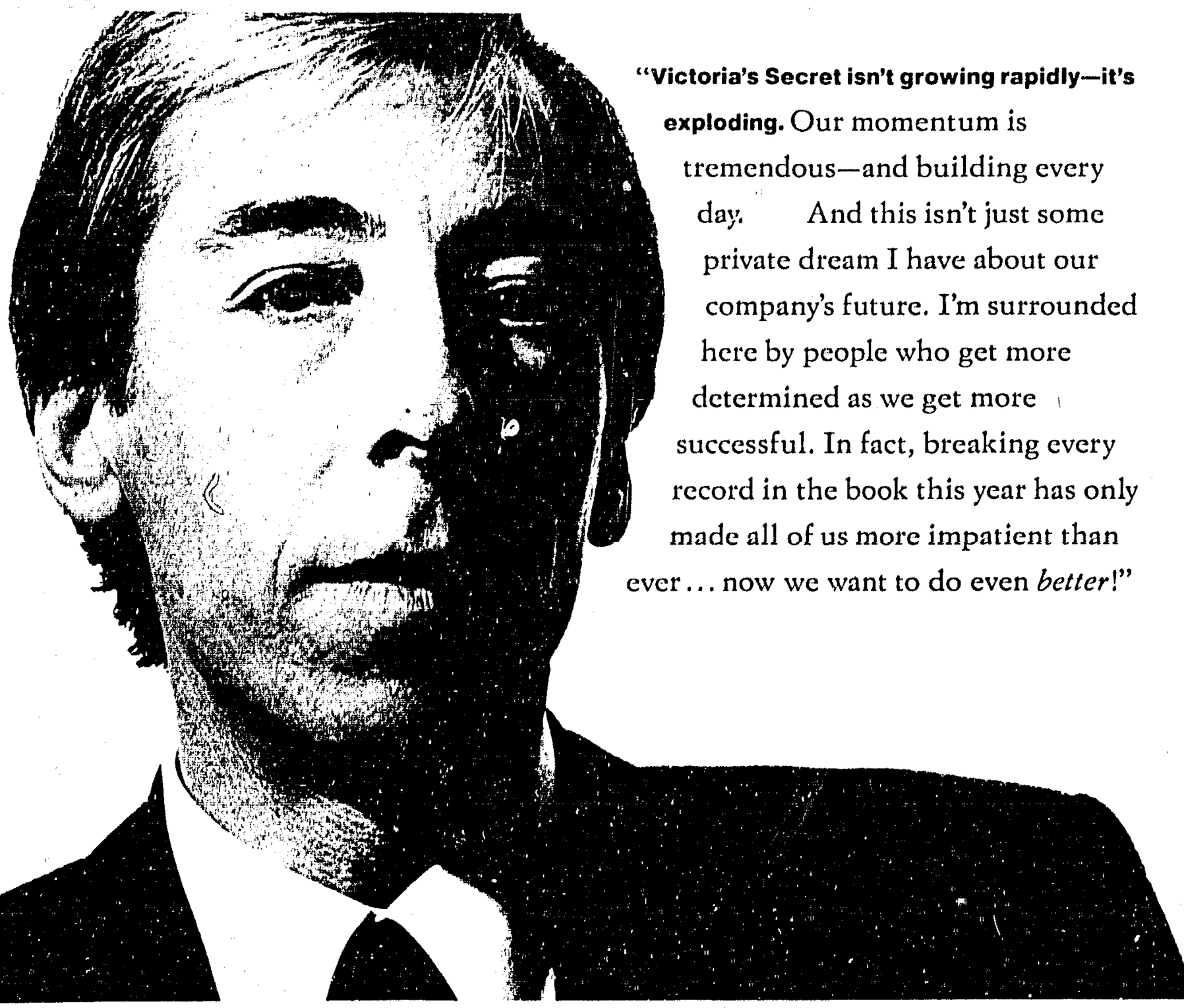
Express



Victoria's Secret, the fastest-growing specialty business in our history, offers contemporary designer lingerie through its retail and mail-order divisions. The remarkable pace of the company's growth accelerated even more this past year.

One hundred new stores will open in 1988, increasing the selling space by 70 percent. It is anticipated that by year-end, Victoria's Secret will be the largest lingerie brand in the world.

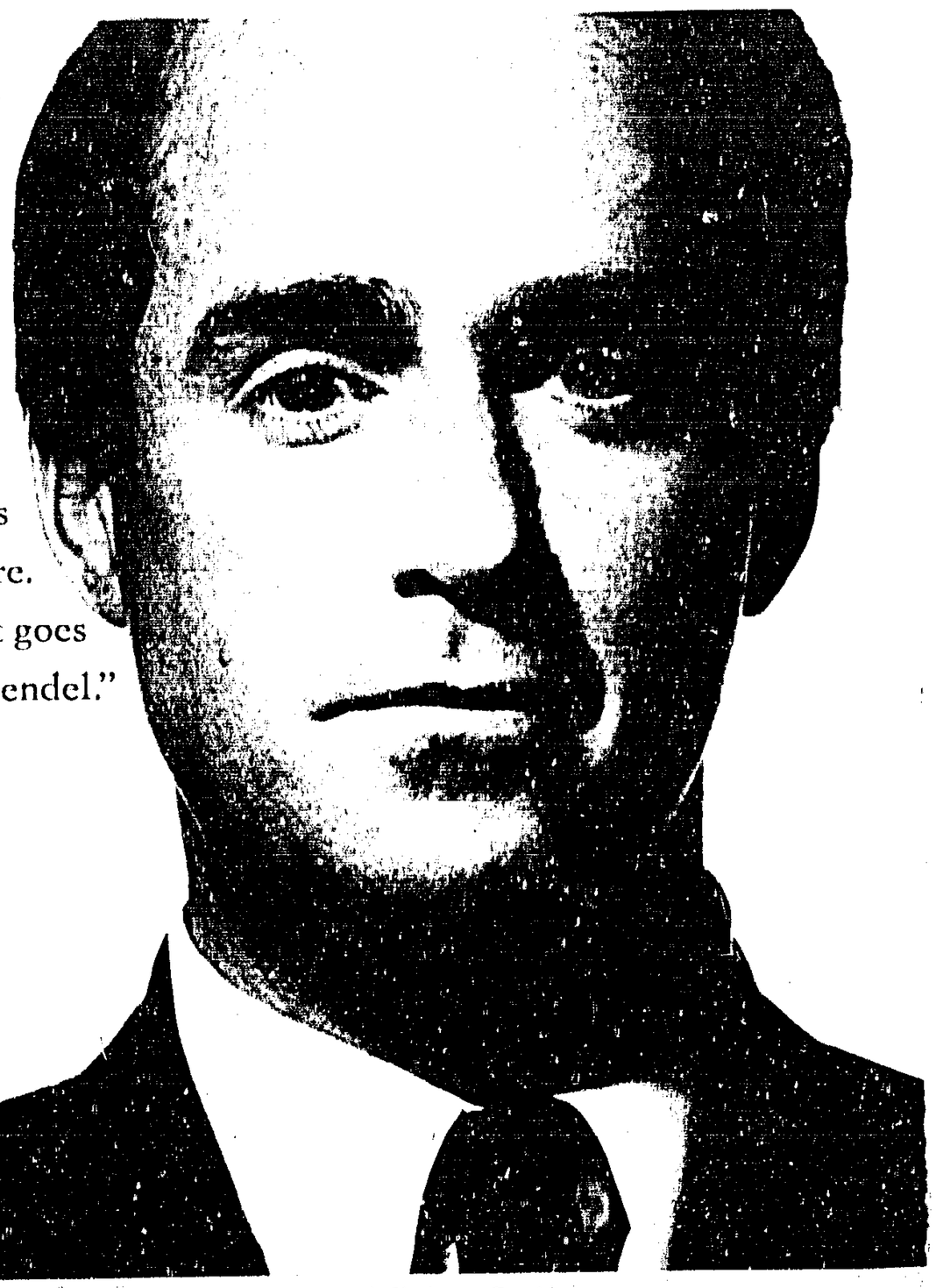
Number of stores:	Average size:	Total square footage:
230	1,930 square feet	466,000 square feet



"Victoria's Secret isn't growing rapidly—it's exploding. Our momentum is tremendous—and building every day. And this isn't just some private dream I have about our company's future. I'm surrounded here by people who get more determined as we get more successful. In fact, breaking every record in the book this year has only made all of us more impatient than ever . . . now we want to do even *better*!"

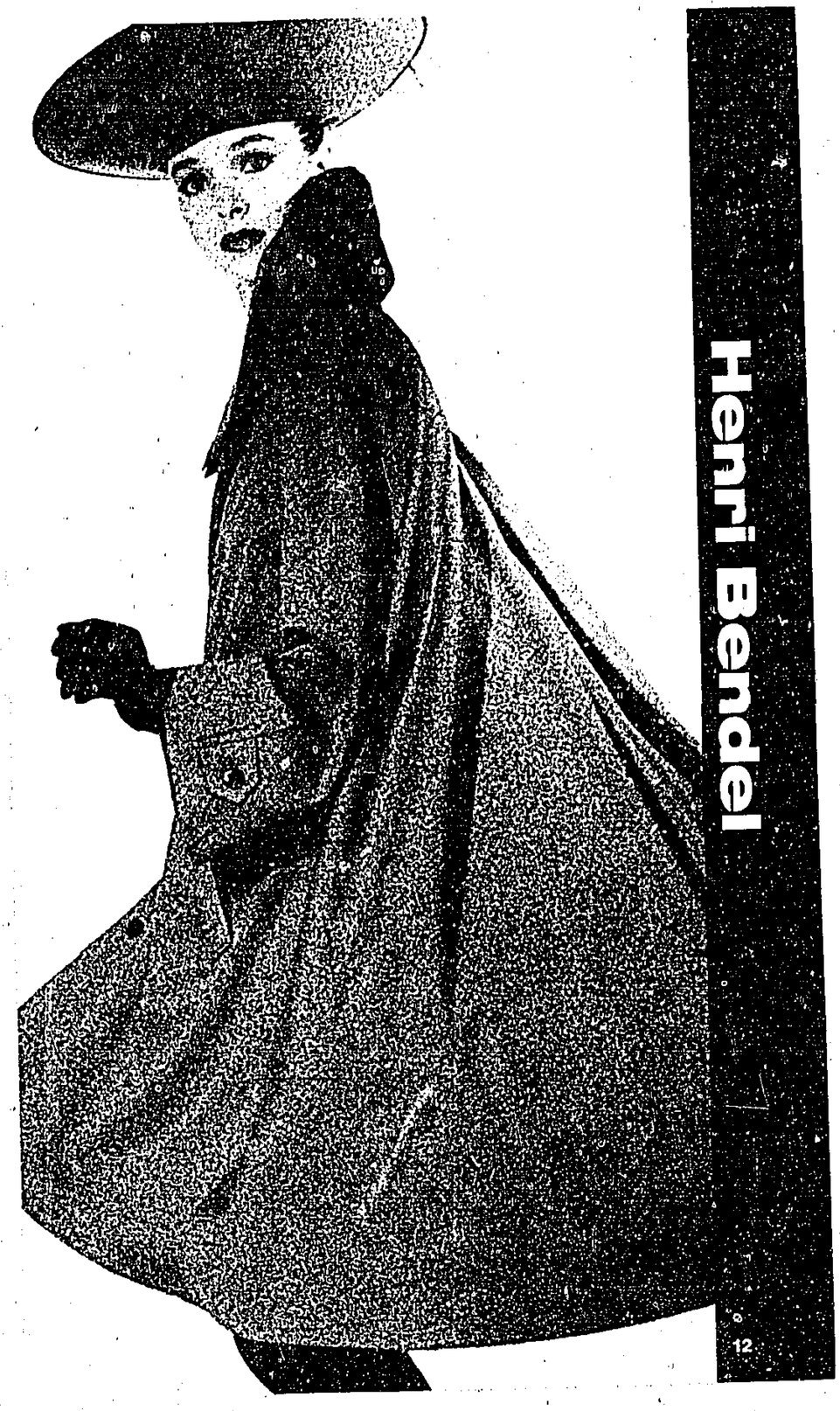
Howard Gross, President

"We want to create the best women's specialty store in the world. It will be a sophisticated and international store, an environment with a distinctly European atmosphere. This past year at Henri Bendel has been a year of experimentation. We have taken the time to learn from our successes and our failures. And now we're taking this knowledge and creating a unique store. We are building on a tradition that goes back to our founder, Henri Bendel."



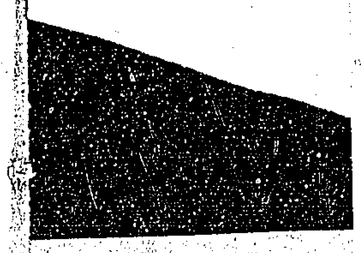
Mark Shulman, President

Henri Bendel



Henri Bendel, a unique specialty store on Fifty-seventh Street in Manhattan offering international designer clothing and accessories, was acquired in 1985. Plans are now being formulated to establish Henri Bendel as a national presence, with stores in the top 40 markets in the country.

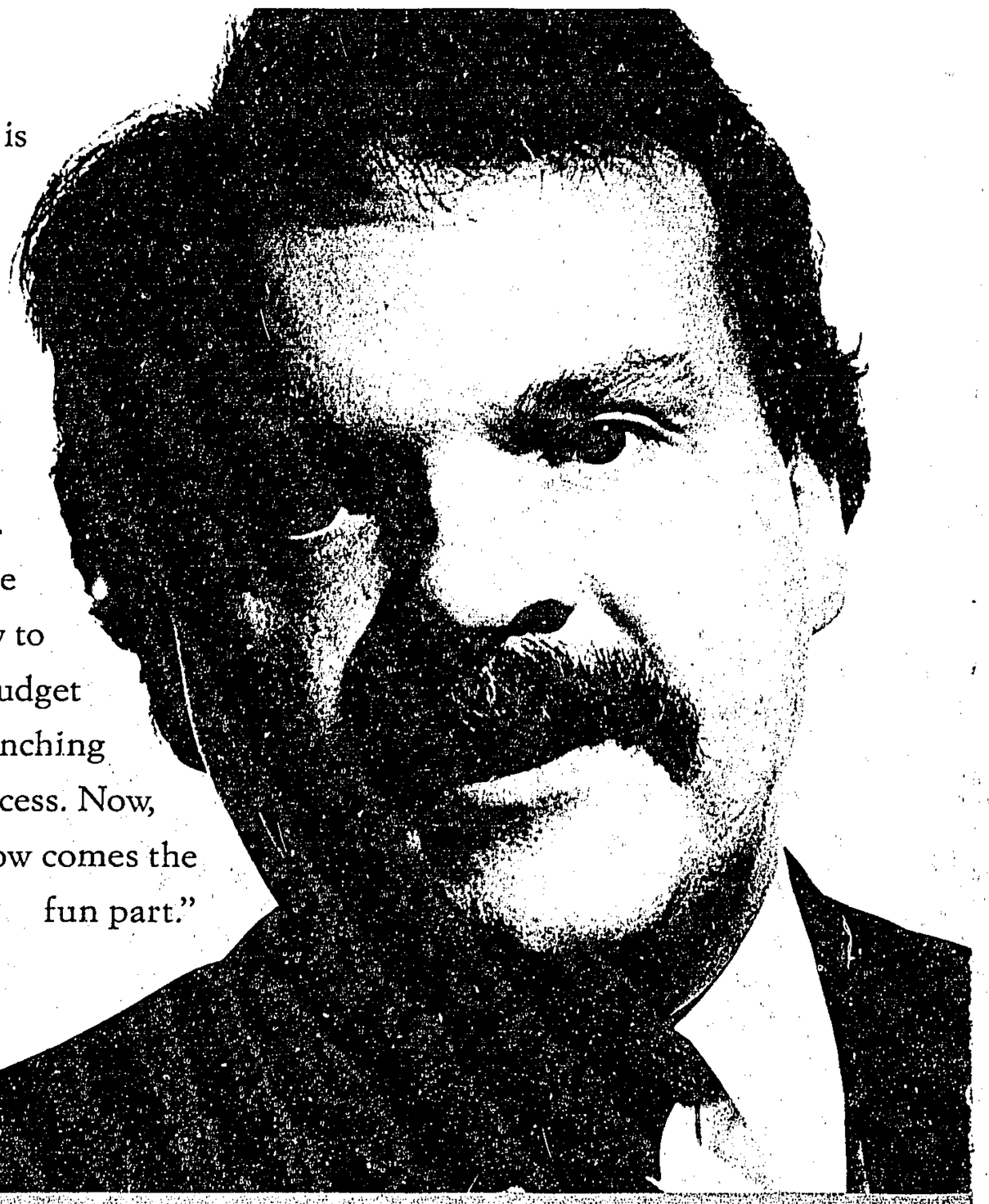
Substantial renovations are now in progress at the store where new merchandise concepts are being tested constantly.



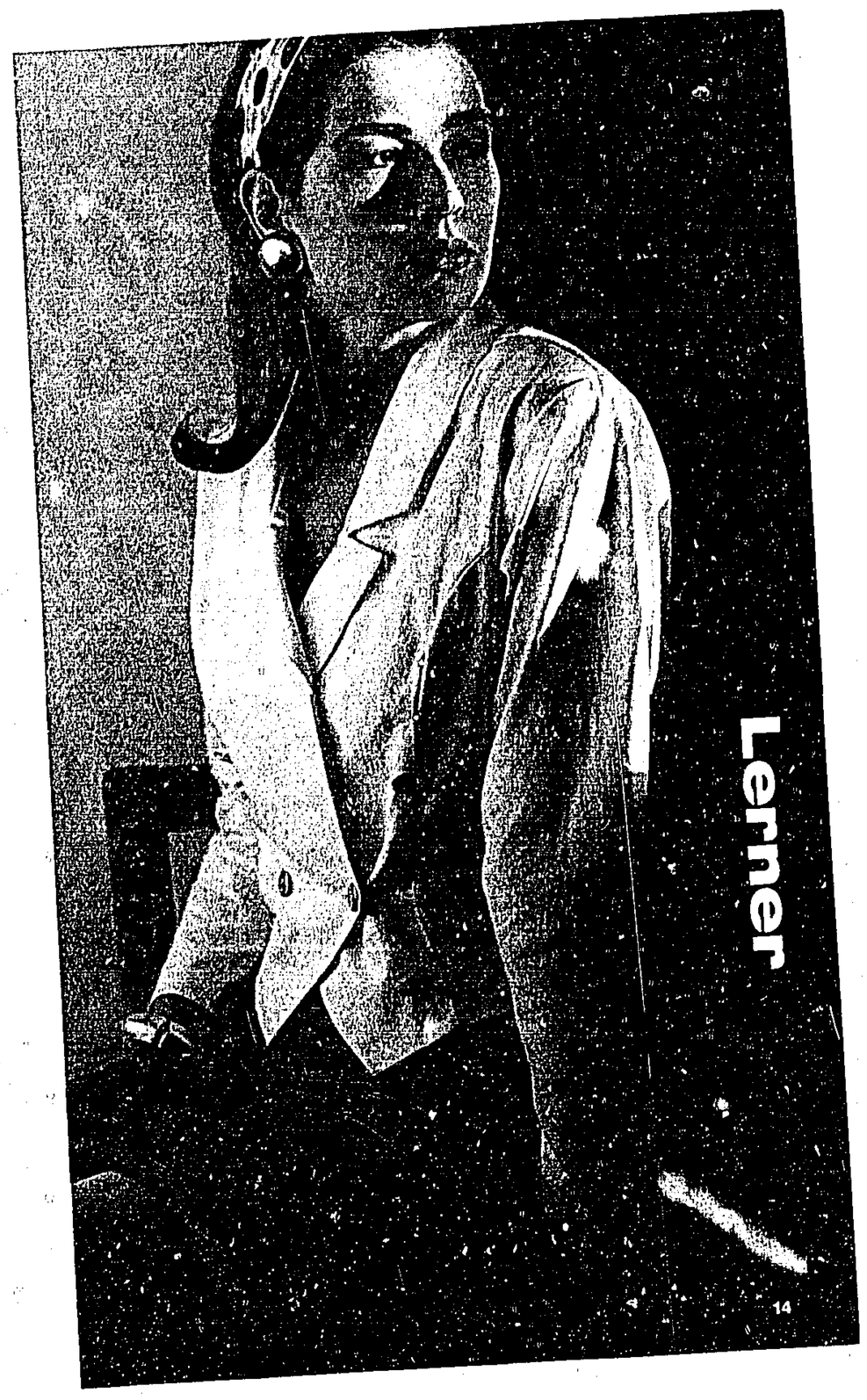
Store size:
14,300
square feet

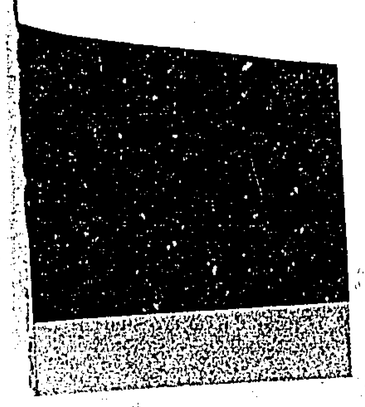
"There's a huge shift taking place in our business: The budget customer is now demanding both quality and fashion—and that's what we deliver better than anyone else!

Obviously, these demands play right into our strengths: No one in this business has our skills in design, marketing and presentation. And it's already clear that no one else has been able to respond as quickly to this total redefinition of the budget market. We made some wrenching changes in '87. It was a painful process. Now, we expect to reap the rewards. Now comes the fun part."



Bob Grayson, President





With 770 stores, Lerner is the largest women's apparel business under one name in the country. By offering higher quality merchandise to the off-price customer, the company is spearheading a dramatic change in the budget business.

Purchased in 1985, the company was made profitable within one year of operation. 1987 sales, however, were below expectations. As a result, the company has shifted its merchandise focus.

Number of stores: 770

Average size: 6,100 square feet

Total square footage: 4,700,000 square feet

"1987 was tough for us ... and invaluable! Today, this company is more alert, more responsive, more open to new ideas than it was a year ago. We had to examine some of our premises—and we took it as an opportunity to question *everything* about this business. We realized that we had become too young in our merchandising focus, and we're making the correction. The repositioning is in process and on schedule. The company is on the right course now, but that doesn't mean we're laying back: we're working harder than ever and we're staying agile."



Ira Quint, President



The oldest franchise in its field has been transformed into a fashion store for large-size women. Lane Bryant had 222 stores in 1982; by the end of 1987, it had grown to 631 stores.

Responding to a slowdown in sales during 1987, the company's management decelerated the rate of store expansion, adjusted its fashion focus and fully implemented the short-term buying cycle system. In addition, Lerner Woman, started by Lane Bryant in 1986, was spun off to be merged with Sizes Unlimited.

Number of stores:	Average size:	Total square footage:
631	4,200 square feet	2,630,000 square feet



By June 1987, Lerner Woman had expanded to a company with 88 stores. At that time, it was merged with Sizes Unlimited to form a new 338-store business. This new company offers clothing in sizes 14 and up, a market currently estimated to include 40 percent of American women.

Lerner Woman and Lane Bryant together have over 1,000 stores, offering customers a choice that previously did not exist in this market.

Number of stores:	Average size:	Total square footage:
388	3,800 square feet	1,430,000 square feet





"The merger of Sizes Unlimited and Lerner Woman has given us real power in the marketplace. We may be starting over, but we're not starting small! Our division has 398 stores committed to a new direction. That gives us the means to satisfy the demands for fashion equality for the large-size customer. This is exactly the kind of fresh beginning we thrive on—we have the team, a clear vision of the future and the energy to deliver on our promise."

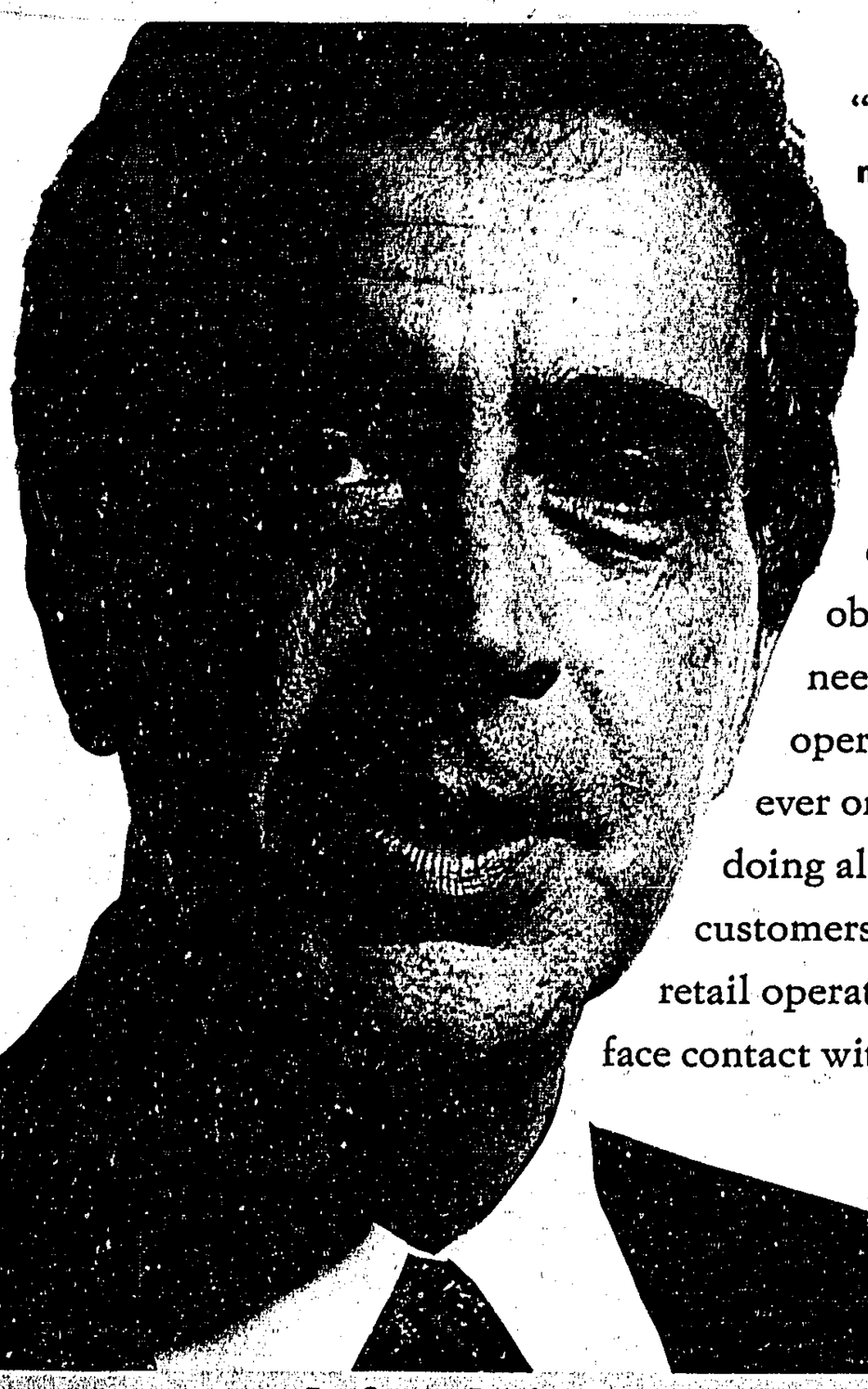
Raphael Benaroya, President

Lerner Woman



Bryiane, the second-largest women's fashion catalogue retailer in the United States, publishes five catalogues: Lane Bryant, Roaman's, Tall Collections, Lerner Woman and Lerner Sport. Each has a distinct market focus. Lerner Sport, introduced at the end of 1986, is the first catalogue geared to the average-sized customer.

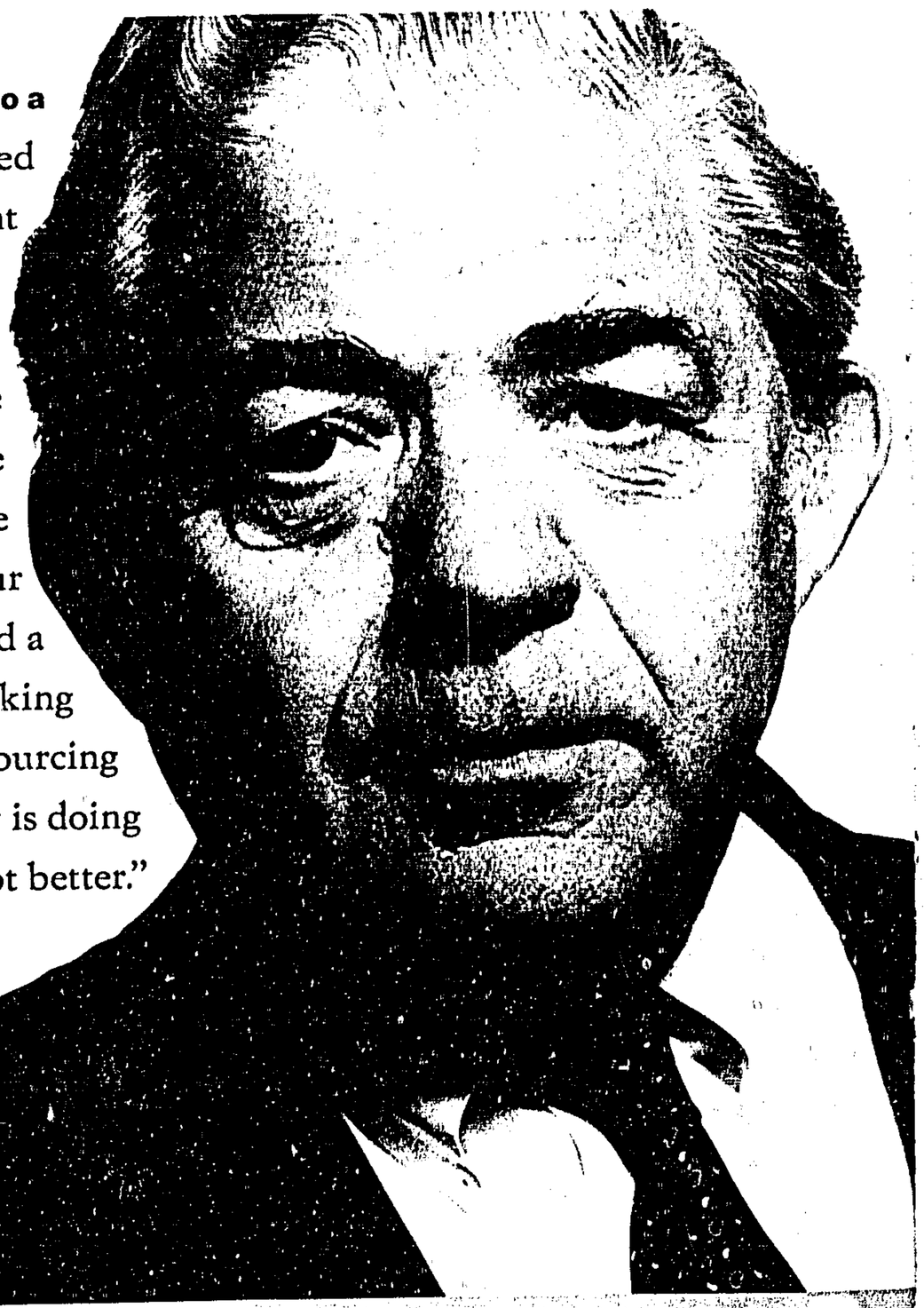
In 1987, the company completed the start-up of two new catalogues, while phasing out two high-volume catalogues that had been operating below The Limited's profit standards. During the year Bryiane began to emphasize telephone sales, an initiative that grew directly out of customer demand.



"1987 was the year we became a direct marketing company. Maybe we learned from being around some of the world's smartest retailers. Whatever the cause, we achieved a breakthrough that has totally changed our company. What does this mean? That we're obsessed with speed, because we need to be as quick as any retail operation; that we're more focused than ever on quality and price; that we're doing all sorts of things to make our customers happy. We think and act like a retail operation, even if we don't have face-to-face contact with our customers."

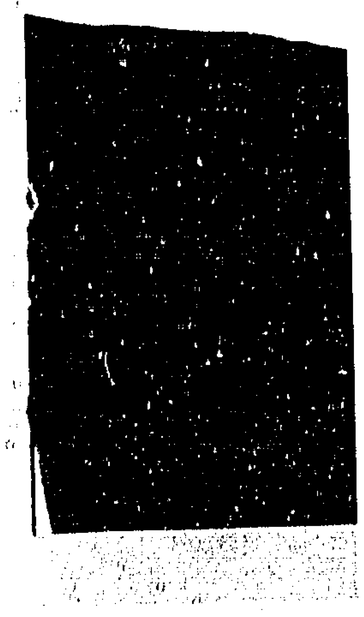
Pete Canzone, President

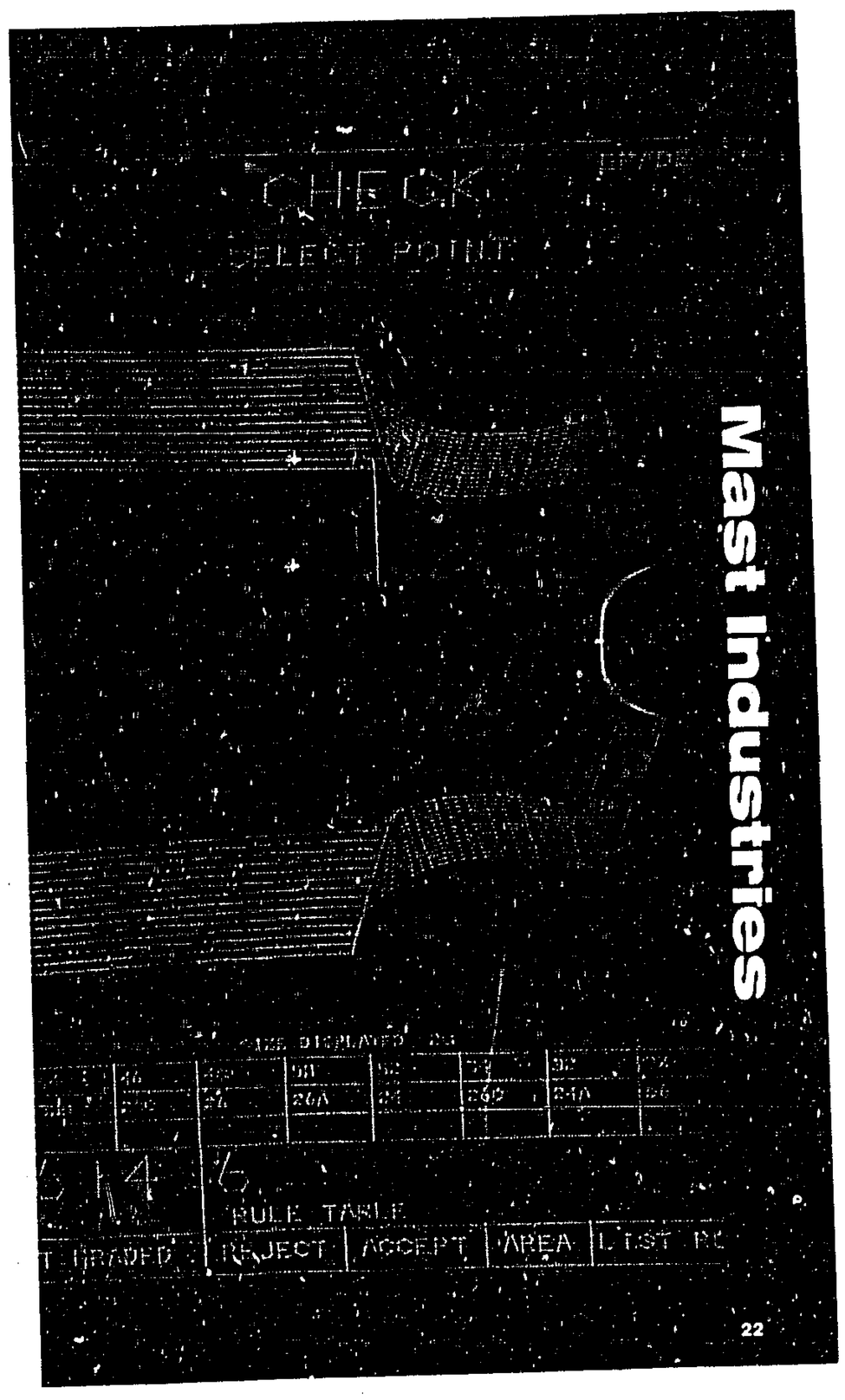
"In February 1987, we launched into a repositioning of our business. We completed the process in July and saw significant results in the third and fourth quarters. Everything we've done was intended to accomplish one objective: simplification. We've narrowed our focus. We are now more streamlined and more oriented to our customers. We also have achieved a much stronger sourcing position by taking more product out of our primary sourcing base. In short, Mast now is doing fewer things and doing them a whole lot better."

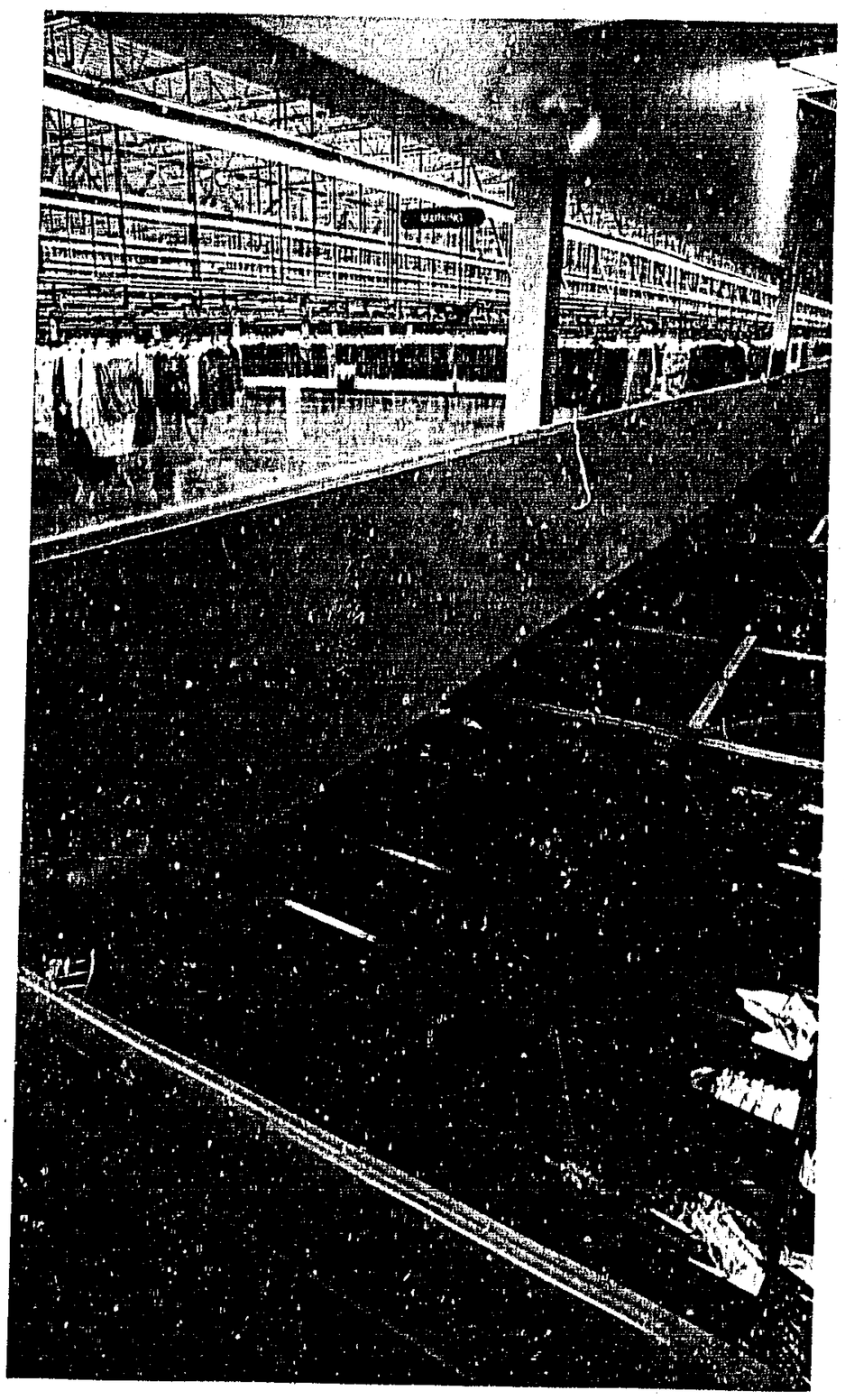


Martin Trust, President

Mast Industries imports merchandise from global resources. Mast must compete with outside vendors, winning contracts with the retail divisions on the basis of quality, price and delivery. In early 1987, Mast completed a significant refocusing of its business. As a result, it now is concentrating exclusively on off-shore manufacturing sources and phasing out sales to outside companies.







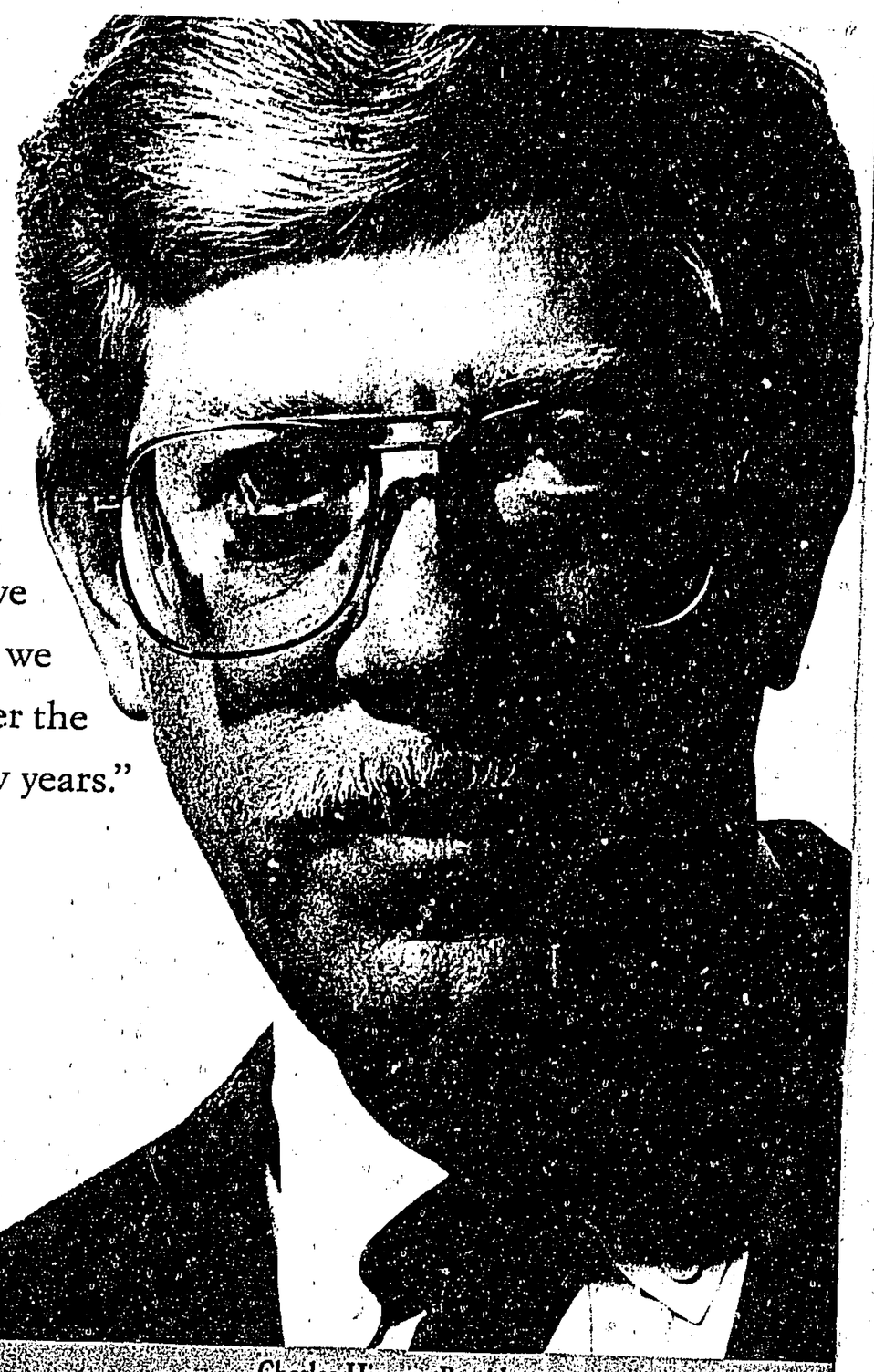
In 1987, Limited Distribution Services processed 200 million pieces of apparel and accessories with a 99.9 percent accuracy rate. The average time elapsed, from bulk arrival to shipment to individual stores, was two days. These figures illustrate the importance of the division and its associates to the short-cycle system.



Lee Johnson, President

"We've just built a million-square-foot facility, and we did it because we're thinking small. We've created the new distribution center with the needs of the individual customer in mind—it's very large, but also very flexible. What this means is that we now can respond *quickly* to a shift in demand: We can stop the shipment of one item and start a different shipment in a couple of hours. This adaptability enables our people to take on any new product lines that the retail companies may want. We've increased capacity by about 70 percent. But more importantly, we've become quicker and better at putting the right garment in the right store at the right time."

"There are plans on the drawing board right now that will help our retail divisions to expand beyond their expectations ... not just larger stores, better designed and better built, but entirely new formats. When you make people stop in their tracks, you create opportunities. And when you provide environments that keep pace with innovative merchandising, you can achieve amazing results. I am confident that we will continue our aggressive growth over the next few years."



Charles Hinson, President

Limited Store Planning

The division is responsible for designing, fixturing and building innovative stores for the retail companies. In 1987, our associates worked particularly closely with Limited Stores, Express, Victoria's Secret and Lane Bryant. New store designs for these retail divisions are now being perfected.

Store Planning continues to be successful in providing stores that are highly functional and are consistent with each company's particular merchandising approach.





"There are more real estate opportunities for us right now than we can absorb. With the retail divisions aggressively adding stores and expanding their store sizes we have our hands full. We're working from a position of strength. In fact our main focus is on being selective. The market environment we have just entered is one which favors creative, energetic retailers. And that makes for opportunities . . . for the kinds of challenges we like to take on."

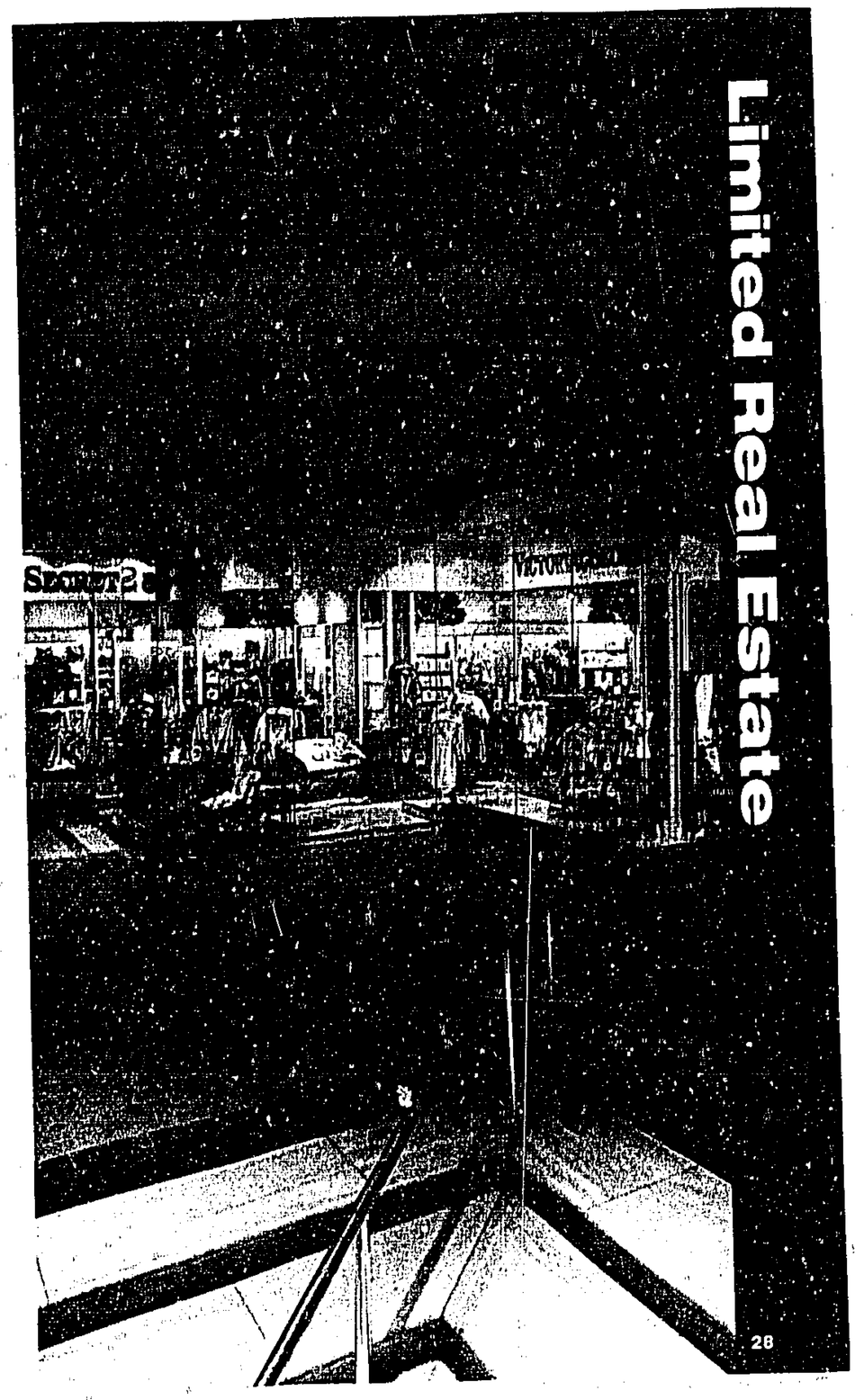


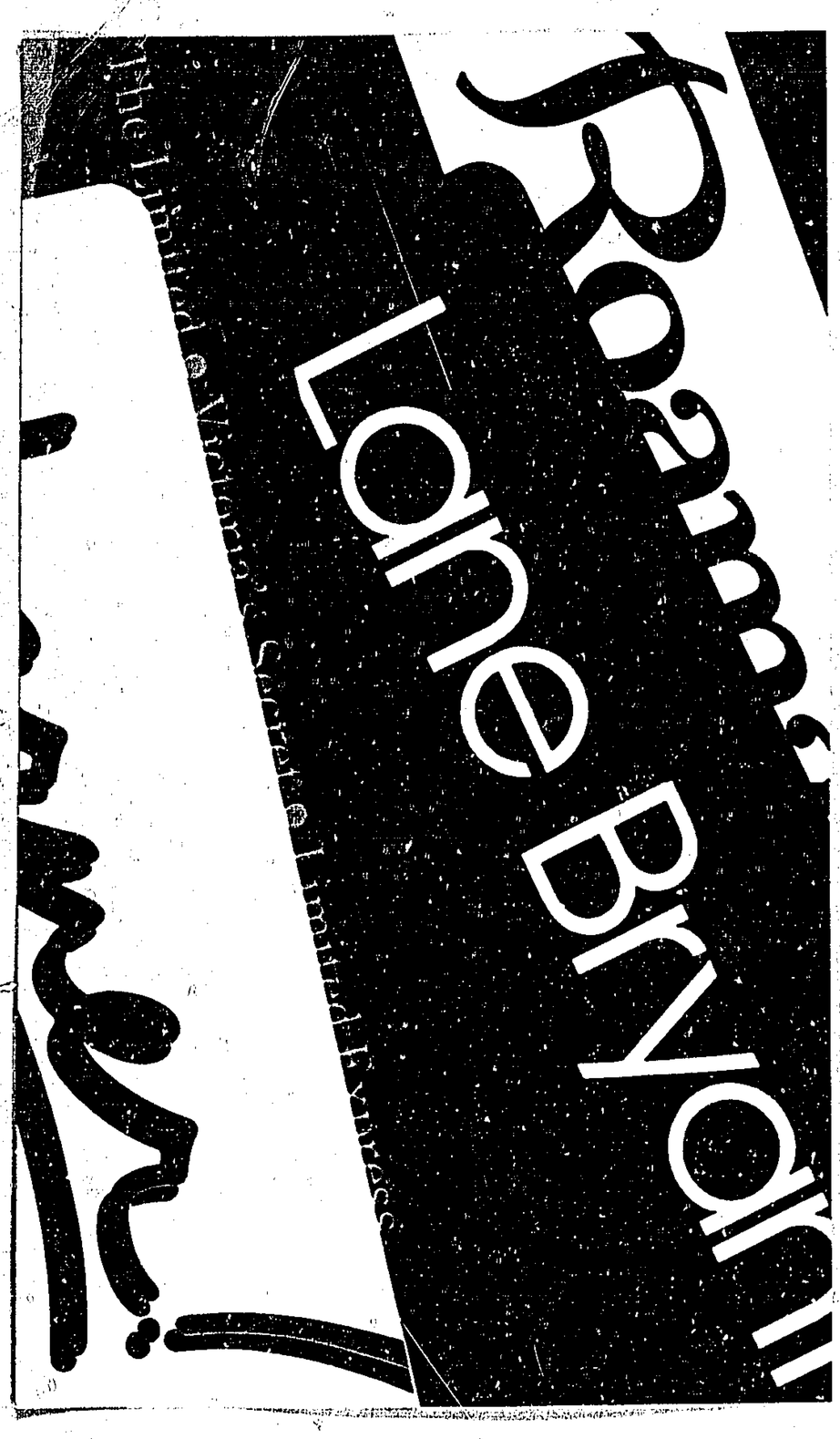
Jerry Dick, President

Limited Real Estate

During 1987, the division oversaw the addition of 448 new stores, with a total area of 1.7 million square feet. In 1988, our associates will secure locations and negotiate leases for an additional 2 million square feet of selling space, which includes 20 to 25 superstores, each 15,000 to 20,000 square feet.

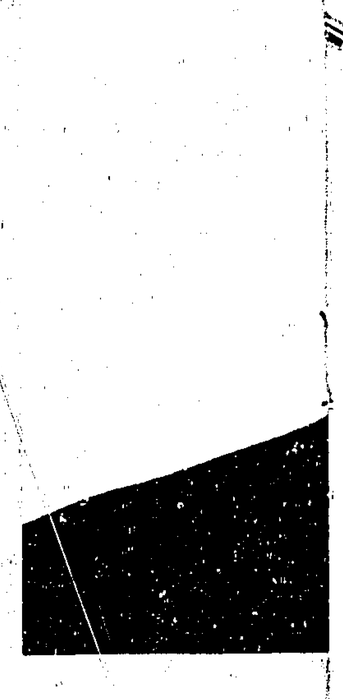
In addition to acquiring more locations, Limited Real Estate increasingly is involved with the three retail divisions—Limited Stores, Express, and Victoria's Secret—which are expanding into larger stores.

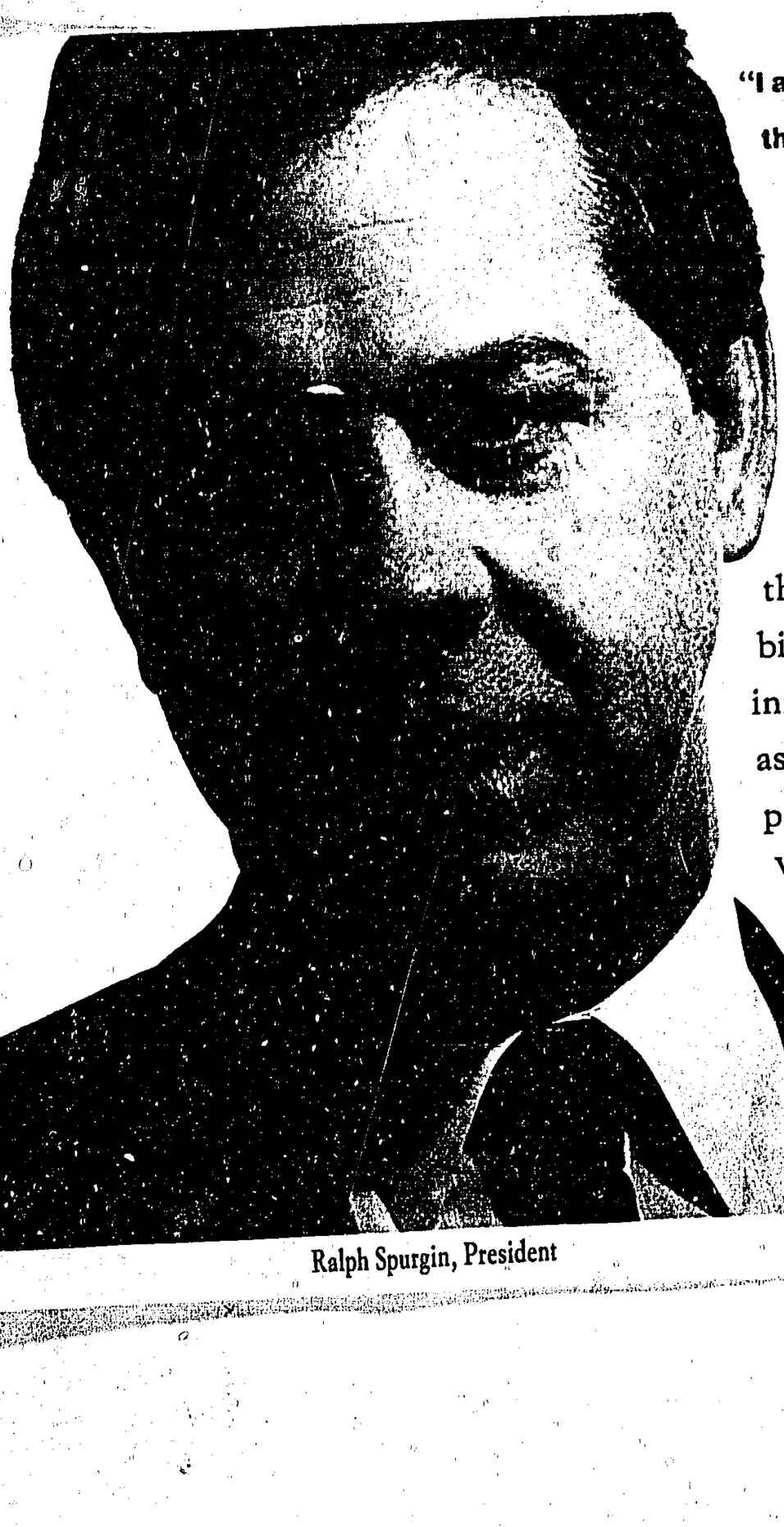




The division handles credit card operations for the Lane Bryant, Lerner and Lerner Woman retail divisions, as well as for Bryiane's five catalogues and the Victoria's Secret catalogue.

In 1987, Limited Credit Services moved from Indianapolis to Columbus. At that time, a new facility was renovated, 700 new associates were hired and trained, and the number of credit customers increased considerably. The move was accomplished without any interruption of service to the division's millions of customers.

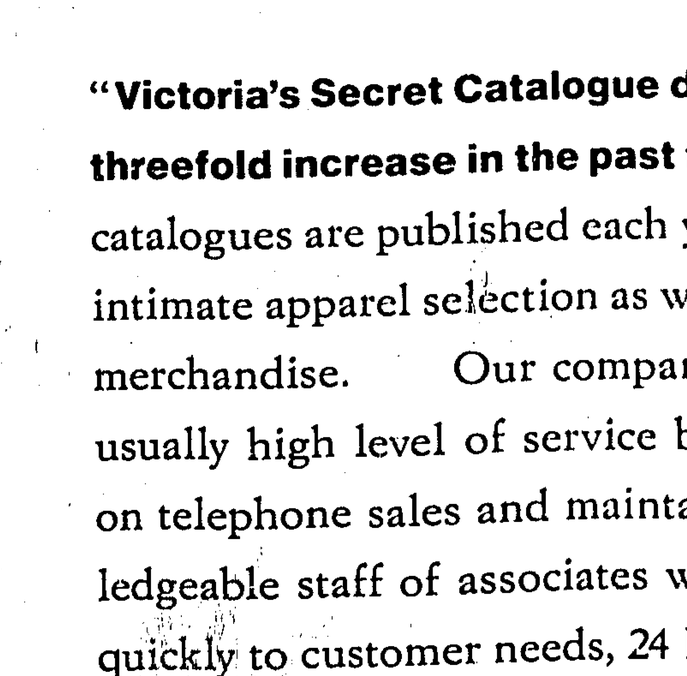


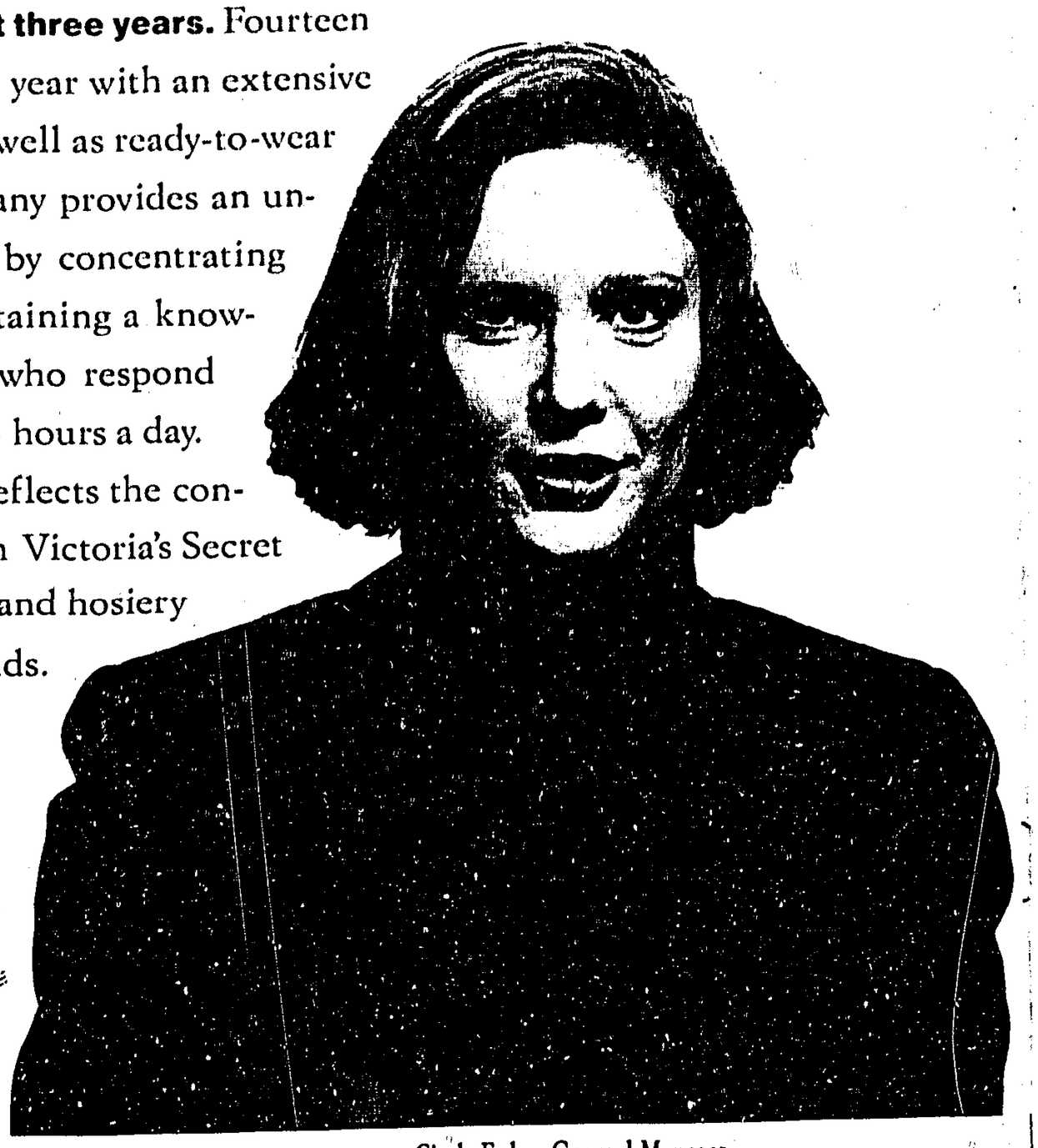


Ralph Spurgin, President

"I am convinced that we can accomplish things that no one has ever thought of doing with a credit division. I'm not just thinking about being a little smarter in our operations by tinkering here and there —I'm talking about rewriting the rule book! This division has a relationship with millions of our best customers. Our communication with them doesn't need to be restricted to billing and payment. We can offer them innovative credit products. In fact, our associates can give the customers the same personal attention they get in our stores. With the opportunities we have all around us, it would be a sin *not* to think big."

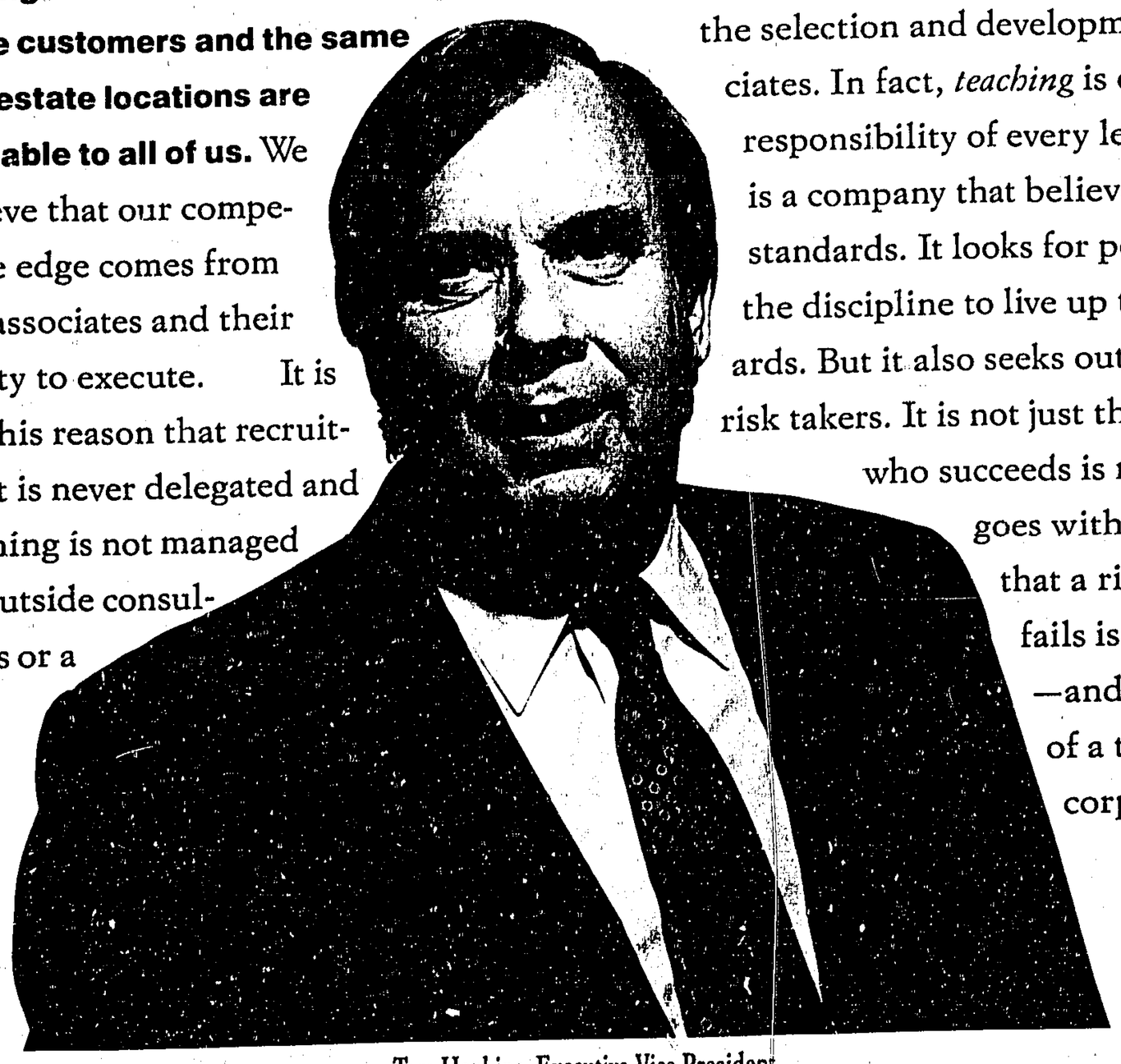
"Victoria's Secret Catalogue division has experienced a threefold increase in the past three years. Fourteen catalogues are published each year with an extensive intimate apparel selection as well as ready-to-wear merchandise. Our company provides an unusually high level of service by concentrating on telephone sales and maintaining a knowledgeable staff of associates who respond quickly to customer needs, 24 hours a day. The image of the catalogue reflects the continuing emphasis on Victoria's Secret lingerie and hosiery brands.





Cindy Fedus, General Manager

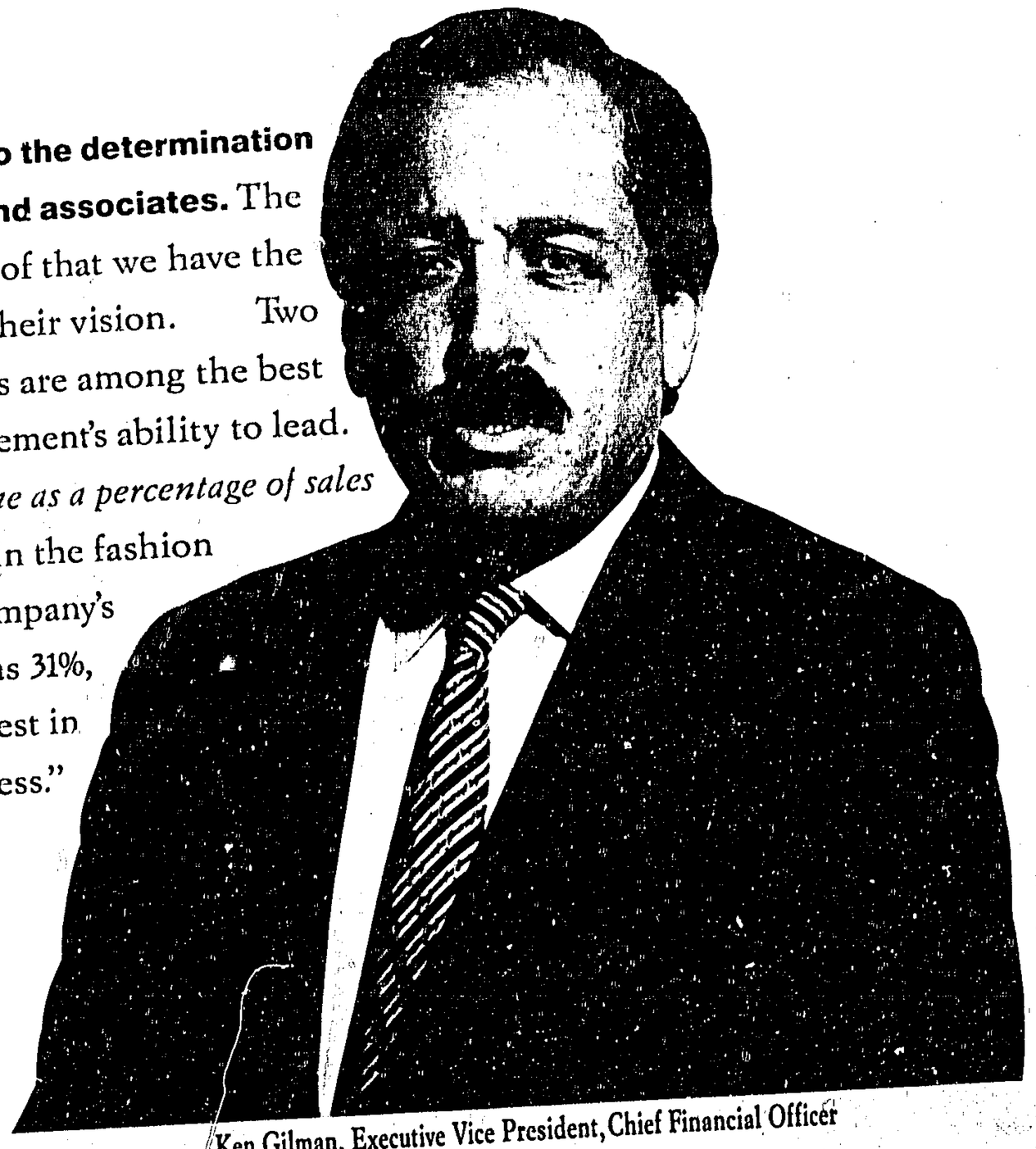
"Retailers all compete on an even playing field—the same vendors, the same customers and the same real estate locations are available to all of us. We believe that our competitive edge comes from our associates and their ability to execute. It is for this reason that recruitment is never delegated and training is not managed by outside consultants or a separate training department. The leadership of the company is directly involved in the selection and development of associates. In fact, *teaching* is considered a key responsibility of every leader. This is a company that believes in standards. It looks for people who have the discipline to live up to those standards. But it also seeks out and encourages risk takers. It is not just that a risk taker who succeeds is rewarded—that goes without saying. It is that a risk taker who fails is not penalized —and that's evidence of a truly unusual corporate culture."



Tom Hopkins, Executive Vice President

1987 The Limited, Inc. Financial Results

"The preceding pages attest to the determination and creativity of our leaders and associates. The statements which follow offer proof that we have the financial resources to support their vision. Two fundamental financial indicators are among the best possible measures of management's ability to lead. In 1987 the Limited's *net income as a percentage of sales* was 6.7%, making us again a leader in the fashion apparel industry. In 1987 the company's *return on average equity* was 31%, a rate among the highest in American business."



Ken Gilman, Executive Vice President, Chief Financial Officer

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Financial Highlights

[thousands except per share amounts]	1987	1986	% Increase (Decrease)
Fiscal Year			
Operating Results			
Net Sales	$3,527,941	$3,142,696	12%
Income before Income Taxes	$ 378,188	$ 394,780	(4%)
Net Income	$ 235,188	$ 227,780	3%
Net Income as a Percentage of Sales	6.7%	7.2%	
Net Income Per Share	$1.25	$1.21	3%
Year End Position			
Working Capital	$ 214,296	$ 134,327	60%
Current Ratio	1.6	1.4	
Total Assets	$1,587,923	$1,377,089	15%
Long-Term Debt	$ 343,000	$ 70,420	387%
Shareholders' Equity	$ 729,171	$ 781,542	(7%)
Total Capitalization	$1,246,380	$1,021,376	22%
Return on Average Shareholders' Equity	31%	38%	
Number of Stores Open at End of Year			
Limited Stores	711	652	
Express	348	286	
Victoria's Secret	236	167	
Lerner	770	750	
Lane Bryant	631	514	
Lerner Woman/Sizes Unlimited	398	312	
Henri Bendel	1	1	
Total	3,095	2,682	

Management's Discussion and Analysis of Results of Operations and Financial Condition

Results of Operations Financial Summary

Certain financial data expressed in percentage relationship to net sales and in comparison to the prior fiscal year are:

	Percentage of Net Sales			Percentage Change from Prior Year	
	1987	1986	1985	1986-87	1985-86
Net Sales	100.0%	100.0%	100.0%	12%	32%
Gross Income	28.1%	30.6%	30.1%	3%	34%
General, Administrative and Store Operating Expenses	16.6%	16.7%	18.5%	12%	18%
Interest Expense	1.1%	1.5%	1.7%	(12%)	11%
Net Income	6.7%	7.2%	6.1%	3%	57%

Net Sales

The increase in 1987 net sales resulted primarily from the opening of 448 stores and a 3% increase in comparable store sales. For 1986, the increase was due primarily to the opening of 431 stores and an 18% increase in comparable store sales.

Gross Income

The reduction in gross income as a percentage of sales for 1987 resulted from higher markdowns, higher occupancy and buying costs as a percentage of sales, and from costs associated with the Company's decision to reposition Mast Industries to concentrate on foreign sourcing.

Gross income as a percentage of sales increased in 1986 due primarily to reductions in occupancy and buying costs as a percentage of sales.

General, Administrative and Store Operating Expenses

These operating expenses improved in both 1987 and 1986 as a percentage of net sales as a result of additional economies of scale and management's continued emphasis on expense control and reduction.

Interest Expense

Interest expense decreased in 1987 principally as a result of the conversion, in mid-year 1986, of two convertible debt issues.

Interest expense increased marginally in 1986 due to the net effect of an increase in the Company's credit card receivables which were financed through the finance subsidiary's borrowings (see Note 3) and the mid-year conversion of the convertible debt issues.

Income Taxes

The effective tax rates were 37.8%, 42.3% and 39.3% for 1987, 1986 and 1985, respectively. A reconciliation of these rates with the Federal statutory income tax rate is presented in Note 6.

Impacts of Inflation

The Company's results of operations and financial condition are stated in terms of historical cost. While it is difficult to accurately measure the impacts of inflation due to the imprecise nature of the estimates required, the Company's calculations indicate that the effects of inflation on the Company have been minor.

Management's Discussion and Analysis

continued

Financial Condition
Liquidity and Capital Resources

Cash provided from operations and the Company's capital structure plus funds available under committed bank agreements provide the financial resources and stability to support both current operations and future growth. The Company's capital structure is as follows (000):

	1987	1986	1985
Working capital	$ 214,296	$ 134,327	$ 62,906
Capitalization—			
Convertible debentures	$ —	$ —	$175,000
Other long-term debt	343,000	70,420	213,744
Deferred taxes	174,209	169,414	44,506
Shareholders' equity	729,171	781,542	404,075
Total capitalization	$1,246,380	$1,021,376	$837,325
Unused and available bank lines	$ 507,000	$1,535,000	$503,000

The Company considers the following to be several measures of liquidity and capital resources:

	1987	1986	1985
Cash provided from operations (000)	$315,537	$360,032	$249,250
Liquidity and asset utilization ratios:			
Cash flow to liabilities (cash flow from operations divided by total current and long-term liabilities)	46%	84%	33%
Interest coverage (income before interest expense and taxes divided by interest expense)	10.3	9.6	6.8
Debt ratio (long-term debt divided by total capitalization)	28%	7%	46%
Cash flow to capital investment (cash flow from operations divided by additions to property and equipment)	111%	183%	138%

As the tables indicate, the Company's primary source of liquidity continues to be cash provided from operations. Additionally, the Company has bank lines totaling $850 million, of which $800 million is available under its long term Revolving Credit and Term Loan Agreement. At January 30, 1988, $507 million of available bank lines were unused. The reduction of available lines from $1.6 billion in 1986 was effected because the Company does not view its near term capital requirements to be so extensive as to incur the commitment fees related to the previous higher levels. The Company believes however, that its financial condition is strong enough to support bank lines at least as extensive as those previously maintained. Management believes that the Company's liquidity and capital resources are sufficient to sustain current operations and provide for future growth.

Capital Requirements

The Company's capital requirements for 1987 include $240 million for the acquisition of 10.8 million shares of its common stock, currently held as treasury shares.

Effective February 1, 1988, the Company acquired the assets of Abercrombie & Fitch for approximately $45 million. This operation consists of 25 retail stores and a catalogue operation, offering moderate to better-priced outdoor oriented sports apparel for men and women and related specialty merchandise and gift items.

Capital additions in 1987, 1986 and 1985 amounted to $283.6 million, $196.5 million and $180.3 million, respectively. These expenditures were for new store construction and renovation plus equipment additions and, beginning in 1986, construction of a new distribution and office facility in Columbus, Ohio. For 1988, capital additions of approximately $300 million are planned, including the addition of approximately 365 new stores, the remodeling of approximately 150 existing stores, and the completion of the distribution and office facility. The Company anticipates that these capital additions will be principally funded by cash from operations.

Adoption of Recently Issued Accounting Standards

In the fourth quarter of 1987, the Financial Accounting Standards Board (FASB) issued two statements which will not affect the operations or cash flow of the Company, but when adopted, will alter the presentation of its financial condition and the manner in which the Company reports its results of operations.

Accounting for Income Taxes

FASB Statement No. 96, "Accounting for Income Taxes," requires the Company to adopt new tax accounting and disclosure rules no later than the fiscal year beginning January 29, 1989.

Based on existing conditions and a preliminary review, the Company expects to adopt the new standard in fiscal 1989 and will not elect to restate prior periods. The Company anticipates a favorable, but insignificant, catch-up adjustment attributable to reflecting deferred Federal income taxes at the present 34% statutory tax rate. The benefit will be reduced by the need to establish a deferred tax liability for the remaining Lerner acquisition timing differences. Had the new tax accounting standard been in effect during 1987, the Company's results of operations would not have been significantly different from those reported herein.

Consolidation of Majority-Owned Subsidiary

FASB Statement No. 94 requires the consolidation of all majority-owned subsidiaries beginning with reports issued during fiscal 1988. The Company will adopt the provisions of this statement by consolidating its wholly-owned finance subsidiary and restating prior year financial statements. Since the Company has accounted for its investment in its finance subsidiary using the equity method, the consolidation requirements will have no net effect on reported results of operations. However, the presentation of the financial condition of the Company will include the assets and liabilities of the finance subsidiary, principally accounts receivable and related debt. This consolidation requirement will not have a negative impact on the Company's credit arrangements.

Consolidated Statements of Income

[thousands except per share amounts]

	1987	1986	1985
Net Sales	$3,527,941	$3,142,696	$2,387,110
Cost of Goods Sold, Occupancy and Buying Costs	2,535,166	2,180,869	1,668,267
Gross Income	992,775	961,827	718,843
General, Administrative and Store Operating Expenses	583,903	523,598	442,631
Operating Income	408,872	438,229	276,212
Interest Expense	(40,322)	(45,900)	(41,230)
Other Income, net	9,638	2,451	4,335
Income Before Income Taxes	378,188	394,780	239,317
Provision for Income Taxes	143,000	167,000	94,000
Net Income	$ 235,188	$ 227,780	$ 145,317
Net Income Per Share	$1.25	$1.21	$.80

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated Balance Sheets

[thousands]	January 30, 1988	January 31, 1987
Assets		
Current Assets		
Cash and Equivalents	$ 47,953	$ 3,256
Accounts Receivable	95,060	72,878
Inventories	353,693	361,489
Other	47,906	31,608
Total Current Assets	544,612	469,231
Property and Equipment	889,155	734,727
Investment in Finance Subsidiary	77,487	105,503
Other Assets	76,669	67,628
Total Assets	$1,587,923	$1,377,089
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts Payable	$ 149,974	$ 169,112
Accrued Expenses	131,602	131,829
Income Taxes	48,740	33,963
Total Current Liabilities	330,316	334,904
Long-Term Debt	343,000	70,420
Deferred Income Taxes	174,209	169,414
Other Long-Term Liabilities	11,227	20,809
Shareholders' Equity		
Common Stock	94,837	94,398
Paid-in Capital	205,328	199,424
Retained Earnings	677,232	487,720
Unrealized Loss on Marketable Equity Securities	(8,219)	—
	969,178	781,542
Less Treasury Stock, at Cost	(240,007)	—
Total Shareholders' Equity	729,171	781,542
Total Liabilities and Shareholders' Equity	$1,587,923	$1,377,089

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

[thousands]

	Common Stock						
	Shares Outstanding	Par Value	Paid-in Capital	Retained Earnings	Unrealized Loss on Marketable Equity Securities	Treasury Stock at Cost	Total Shareholders' Equity
Balance, February 2, 1985	59,614	$29,807	$ 22,466	$223,130	$ —	$ —	$275,403
Net income	—	—	—	145,317	—	—	145,317
Cash dividends	—	—	—	(19,118)	—	—	(19,118)
Two-for-one stock split	59,732	29,866	—	(29,866)	—	—	—
Exercise of stock options and other	488	244	2,229	—	—	—	2,473
Balance, February 1, 1986	119,834	59,917	24,695	319,463	—	—	404,075
Net income	—	—	—	227,780	—	—	227,780
Cash dividends	—	—	—	(29,507)	—	—	(29,507)
Three-for-two stock split	60,032	30,016	—	(30,016)	—	—	—
Conversion of debentures	8,312	4,156	170,844	—	—	—	175,000
Exercise of stock options and other	618	309	3,885	—	—	—	4,194
Balance, January 31, 1987	188,796	94,398	199,424	487,720	—	—	781,542
Net income	—	—	—	235,188	—	—	235,188
Cash dividends	—	—	—	(44,724)	—	—	(44,724)
Purchase of treasury stock	(10,828)	—	—	—	—	(240,007)	(240,007)
Exercise of stock options and other	879	439	5,904	(952)	(8,219)	—	(2,828)
Balance, January 30, 1988	178,847	$94,837	$205,328	$677,232	$(8,219)	$(240,007)	$729,171

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated Statements of Changes in Financial Position

[thousands]	1987	1986	1985
Cash was provided from:			
Operations			
Net income	$215,188	$227,780	$145,317
Add expenses not requiring working capital:			
Depreciation and amortization	109,353	97,393	80,128
Deferred income taxes and other	6,268	36,920	(3,030)
Working capital from operations	350,809	362,093	222,415
Cash flow additions (requirements) resulting from:			
Inventories	7,796	(41,184)	(51,342)
Payables	(19,138)	(15,256)	62,567
Income taxes	14,777	47,346	11,082
Other current assets and liabilities	(38,707)	7,033	4,528
Cash provided from operations	315,537	360,032	249,250
Other sources of cash:			
Increase in long-term debt	272,580	—	521,590
Conversion of debt to stock—$175,000 in 1986	—	—	—
Reduction in investment in finance subsidiary	29,917	—	—
Other net, including disposal of assets	(5,016)	22,859	9,317
Total cash provided	613,018	382,891	780,157
Cash was used for:			
Investment in property and equipment	283,590	196,487	180,269
Purchase of treasury stock	240,007	—	—
Reduction of long-term debt	—	143,324	196,398
Cash dividends	44,724	29,507	19,118
Investment in finance subsidiaries	—	23,265	47,456
Net cash to acquire subsidiaries and retire debt	—	—	331,462
Total cash used	568,321	392,583	774,703
Increase (Decrease) in Cash and Equivalents	44,697	(9,692)	5,454
Cash and Equivalents, beginning of year	3,256	12,948	7,494
Cash and Equivalents, end of year	$ 47,953	$ 3,256	$ 12,948

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Notes to Consolidated Financial Statements

[thousands except share amounts]

[1] Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries except the Company's wholly-owned finance subsidiary, which is accounted for as an equity investment (Note 8). Significant intercompany balances and transactions have been eliminated in consolidation.

The Company has elected to implement during 1988 and 1989 certain financial reporting and accounting policy changes which have recently been issued by the Financial Accounting Standards Board. A more detailed discussion of these matters is included under the heading "Adoption of Recently Issued Accounting Standards" in Management's Discussion and Analysis on page 40 of this Annual Report.

Fiscal Year

Fiscal years are designated in the financial statements and notes by the calendar year in which the fiscal year commences. Accordingly, results for fiscal years 1987, 1986 and 1985 represent the 52 weeks ended January 30, 1988, January 31, 1987 and February 1, 1986, respectively.

Inventories

Inventories are principally valued at the lower of average cost or market.

Marketable Equity Securities

Marketable equity securities which the Company intends to hold for more than one year are classified as noncurrent assets. To the extent that cost exceeds market value, a valuation allowance, net of related deferred tax benefits, is recorded and reflected as a separate component of shareholders' equity.

Property and Depreciation

Depreciation and amortization of property and equipment are computed for financial reporting purposes on a straight-line basis, using service lives ranging principally from 20–30 years for buildings and improvements and 3–10 years for other property and equipment. The cost of assets sold or retired and the related accumulated depreciation or amortization are removed from the accounts in the year of disposal, with the resulting gain or loss included in net income. Maintenance, repairs and minor renewals are charged to expense as incurred. Renewals and betterments which extend service lives are capitalized.

Provision for Income Taxes

The provision for income taxes is based on income reported for financial statement purposes, and includes a deferred provision for the tax effect of timing differences between the financial and tax reporting of revenue and expense items. Deferred Federal income taxes, less applicable foreign tax credits, have not been provided for the undistributed earnings of foreign subsidiaries ($157.6 million at January 30, 1988) because the Company intends to reinvest such undistributed earnings in those operations.

Shareholders' Equity

Five hundred million shares of $.50 par value common stock are authorized, of which 178.8 million are outstanding, after reduction for the 10.8 million shares held in treasury. Ten million shares of $1.00 par value preferred stock are authorized, none of which have been issued.

Net Income Per Share

Net income per share is computed based upon the weighted average number of outstanding common shares and reflects, where appropriate, the effect of stock options and subordinated convertible debt outstanding during the periods reported, as restated for stock splits in 1986 and 1985.

Notes to Consolidated Financial Statements

continued

(thousands except share amounts)

[2] Leased Facilities and Commitments

Annual store rent is a fixed minimum amount, plus contingent rent based on a percentage of sales exceeding a stipulated amount. Store lease provisions generally require additional payments covering taxes, maintenance and certain other miscellaneous expenses. Rent expense was as follows:

	1987	1986	1985
Store rent			
Fixed minimum	$171,360	$126,616	$ 98,996
Contingent	20,320	22,141	14,368
Total store rent	191,680	148,757	113,364
Equipment & other	30,284	22,297	15,887
Total rent expense	$221,964	$171,054	$129,251

At January 30, 1988, the Company was committed under store leases with initial terms ranging from ten to twenty years. Accrued rents at January 30, 1988 and January 31, 1987 amounted to $26,345 and $25,689, respectively.

Approximate minimum rent commitments by fiscal year for non-cancellable leases are as follows:

1988	$ 226,700
1989	224,500
1990	217,400
1991	215,700
1992	210,000
Thereafter	1,000,100

[3] Long-Term Debt

Long-term debt consisted of:

	1987	1986
Revolving credit agreement	$343,000	$65,000
Other, net of current maturities	—	5,420
	$343,000	$70,420

Under committed credit arrangements, the Company may borrow up to $850 million, principally through its $800 million Revolving Credit and Term Loan Agreement, which is available through April 30, 1989, at which time the then outstanding balance will be repaid in eight semi-annual installments commencing October 31, 1989. At the Company's option, interest is payable at either an agreed upon amount over the lenders' cost of funds or the prime rate. The commitment fee on the unused line is ¼ of 1%. The terms of the agreement place certain restrictions on the Company including retained earnings available for dividends and the purchase, redemption or retirement of the Company's stock. As of January 30, 1988, $71 million of retained earnings was free from such restrictions. In addition, the Company maintains a $50 million short-term line of credit.

Aggregate maturities of long-term debt during the next five years are:

1988	$ —
1989	42,875
1990	85,750
1991	85,750
1992	85,750

[4] Accounts Receivable

Accounts receivable consisted of:

	1987	1986
Accounts receivable, principally deferred payment accounts	$576,908	$559,215
Accounts sold to wholly-owned finance subsidiaries (Note 8)	(465,601)	(465,930)
Allowance for uncollectible accounts	(16,247)	(20,407)
	$ 95,060	$ 72,878

Finance charge revenue on deferred payment accounts amounted to $88.4 million, $81.0 million, and $38.6 million in 1987, 1986 and 1985, respectively, and the provision for uncollectible accounts amounted to $44.4 million, $49.9 million, and $20.9 million in 1987, 1986 and 1985, respectively. These amounts are classified as components of the cost of administering the deferred payment program and are included in general, administrative and store operating expenses.

Notes to Consolidated Financial Statements

(continued)

(thousands except share amounts)

[5] Property and Equipment

Property and equipment consisted of:

	1987	1986
Land, buildings and improvements	$138,498	$105,198
Furniture, fixtures and equipment	548,276	499,346
Leaseholds and improvements	471,165	375,596
Construction in progress	79,085	20,477
	1,237,024	1,000,617
Less—Accumulated depreciation and amortization	347,869	265,890
Property and equipment, net	$889,155	$734,727

[6] Income Taxes

The provision for income taxes consisted of:

	1987	1986	1985
Currently payable:			
Federal	$110,300	$ 65,700	$41,900
State	9,600	1,700	7,000
Foreign	12,400	8,900	4,200
	132,300	76,300	53,100
Deferred:			
Federal	5,300	74,300	35,100
State	5,400	16,400	5,800
	10,700	90,700	40,900
Total provision	$143,000	$167,000	$94,000

The foreign component of pre-tax income in 1987, 1986 and 1985 is $66,100, $55,900 and $28,200, respectively.

Reconciliation of the effective income tax rate with the statutory Federal income tax rate is as follows:

	1987	1986	1985
Federal income tax rate	39.0%	46.0%	46.0%
State income tax, net of Federal income tax effect	2.4	2.5	2.9
Investment tax credits	—	(1.0)	(2.7)
Foreign operations	(3.5)	(4.2)	(4.0)
Other, net	(.1)	(1.0)	(2.9)
	37.8%	42.3%	39.3%

The components of the deferred tax provision are as follows:

	1987	1986	1985
Excess of tax depreciation over book depreciation	$25,600	$28,400	$ 2,200
Deferred profit on receivables	(16,700)	53,300	43,700
Other, net	1,800	9,000	(5,000)
	$10,700	$90,700	$40,900

The Tax Reform Act of 1986 eliminated the use of the installment method for recognizing income on sales from the Company's credit card operations and requires that income on deferred sales at January 31, 1987 be included in taxable income over a four-year period beginning in 1987. At January 30, 1988, $64.4 million of deferred income taxes relating to installment sales are classified as long-term, one-half of which will become current during 1988 and the remainder in 1989.

[7] Stock Options

Under the Company's stock option plans, 6.6 million shares were available for grant to employees at January 30, 1988, as compared to 6.9 million shares at January 31, 1987. An additional 2.5 million shares were reserved for outstanding options, of which 1.4 million were exercisable. Options have been granted at fair market value. Option activity for the year ended January 30, 1988 is as follows:

	Number of Shares	Weighted Average Option Price Per Share
Outstanding options, January 31, 1987	3,001,000	$ 9.41
Activity during 1987:		
Granted	419,000	$21.06
Exercised	(868,000)	$ 4.67
Cancelled	(94,000)	$22.14
Outstanding options, January 30, 1988	2,458,000	$12.58

[8] Finance Subsidiary

World Financial Network, Inc., a wholly-owned unconsolidated finance subsidiary (formed in 1987 to continue the operations of Limited Credit Corp. and Limited Credit Funding, Inc.) purchases, without recourse, receivables generated by the Company's credit card operations. These purchases are financed through a $400 million receivable finance facility. During 1987, the receivables were purchased at discounts sufficient to cover fixed charges (principally interest expense). In 1986 and 1985, the discount approximated one and one-half times fixed costs. These discounts are eliminated in the Consolidated Statements of Income by reducing interest expense in an amount equal to the pre-tax earnings of the finance subsidiary. Net earnings of the finance subsidiary operations totaled $2.1 million, $7.5 million and $3.6 million in 1987, 1986 and 1985, respectively. Condensed balance sheets of the finance subsidiary operations are presented below.

	January 30, 1988	January 31, 1987
Assets		
Customer receivables purchased from wholly-owned subsidiaries of The Limited, Inc.	$465,600	$465,900
Liabilities and Investment		
Borrowings under credit agreements	$338,000	$347,000
Contract withholding account and other	50,100	13,400
	388,100	360,400
Investment of The Limited, Inc., including $76,600 at January 30, 1988, and $51,700 at January 31, 1987 under subordinated debt arrangements	77,500	105,500
	$465,600	$465,900

The subordinated debt is payable under a $100 million Revolving Subordinated Demand Promissory Note. The note calls for quarterly payments of interest at a rate which approximates the rate which the Company pays under its revolving credit arrangements (approximately 7¼% during 1987). Principal is to be repaid one year and one day after demand.

[9] Quarterly Financial Data (Unaudited)

Summarized quarterly financial results, adjusted to reflect the 1986 stock split, are as follows:

Fiscal Quarter	First	Second	Third	Fourth
1987				
Net Sales	$803,545	$822,111	$891,726	$1,010,559
Gross Income	219,912	237,6[illegible]	262,856	272,318
Net Income	45,457	57,161	69,254	63,316
Net Income Per Share	$.24	$.30	$.[illegible]	$.35
1986				
Net Sales	$661,623	$695,271	$803,699	$982,103
Gross Income	189,150	206,259	260,727	305,691
Net Income	31,402	40,220	68,621	87,537
Net Income Per Share	$.17	$.22	$.36	$.46

Report of Independent Public Accountants

To The Limited, Inc.:

We have examined the consolidated balance sheets of THE LIMITED, INC. (a Delaware corporation) and subsidiaries as of January 30, 1988 and January 31, 1987, and the related consolidated statements of income, shareholders' equity and changes in financial position for each of the three fiscal years in the period ended January 30, 1988. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of The Limited, Inc. and subsidiaries as of January 30, 1988 and January 31, 1987, and the results of their operations and the changes in their financial position for each of the three fiscal years in the period ended January 30, 1988, in conformity with generally accepted accounting principles applied on a consistent basis.

Arthur Andersen & Co.

Chicago, Illinois
February 16, 1988

Executive Officers

Leslie H. Wexner
Chairman of the Board

Bella Wexner
Secretary

Kenneth B. Gilman
Executive Vice President
Chief Financial Officer

Thomas G. Hopkins
Executive Vice President
Organizational Development

Alfred S. Dietzel
Vice President
Financial and Public Relations

William K. Gerber
Vice President
Corporate Controller

Timothy B. Lyons
Vice President
Taxes

Margaret T. Monaco
Vice President
Treasurer

Directors

Leslie H. Wexner
Chairman of the Board

Bella Wexner
Secretary

Martin Trust
President
Mast Industries, Inc.

W. Arthur Cullman
Professor Emeritus of Marketing
The Ohio State University

John W. Kessler (a), (b)
Real Estate Consultant
and Developer

David T. Kollat
Consultant

Claudine B. Malone (b)
Consultant

John K. Pfahl (b)
Management Consultant

Donald B. Shackelford (b)
Chairman of the Board
State Savings Bank

Allan R. Tessler (b)
Chairman and
Chief Executive Officer
International Financial Group, Inc.

Raymond Zimmerman
Chairman of the Board
and President
Service Merchandise Co., Inc.

(a) Member of Executive Committee
(b) Member of Audit Committee

Market Price and Dividend Information

	Market Price*		Cash Dividend Per Share*
	High	Low	
Fiscal Year 1987			
4th Quarter	$22¼	$15⅞	$ .06
3rd Quarter	52¼	16⅞	.06
2nd Quarter	48½	37½	.06
1st Quarter	48¾	38	.06
Fiscal Year 1986			
4th Quarter	$43	$29½	$ .04
3rd Quarter	31⅞	24¾	.04
2nd Quarter	34¼	26⅜	.04
1st Quarter	30½	23	.04

*Adjusted to reflect the June 1986 three-for-two stock split.

The Company's common stock is traded on the New York Stock Exchange ("LTD"), the London Stock Exchange and the Tokyo Stock Exchange. On January 30, 1988, there were 18,600 shareholders of record.

Corporate Office
Two Limited Parkway
P.O. Box 16000
Columbus, OH 43216

Annual Meeting
The Annual Meeting of Shareholders is scheduled for 9 a.m., Monday, May 23, 1988, at the Corporate Offices.

Date Founded: 1963

Number of Associates: 50,200

Number of Shareholders of Record: 18,600

London, England
Kowloon, Hong Kong
Milan, Italy
Osaka, Japan
Seoul, Korea
Taipei, Taiwan

Form 10-K
A Form 10-K is available without charge upon written request to Alfred S. Dietzel, Vice President, The Limited, Inc., Two Limited Parkway, P.O. Box 16000, Columbus, OH 43216.

Manufacturers Hanover Trust Company
Shareholders Relations Department
450 West 33rd Street, 8th Floor
New York, New York 10001

New York Stock Exchange
(Trading Symbol "LTD")
London Stock Exchange
Tokyo Stock Exchange

Schwartz, Kelm, Warren & Rubenstein
Columbus, Ohio

Arthur Andersen & Co.
Chicago, Illinois

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